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ABSTRACT

Testimonies addressing the implementation of new federal employment training programs and the expanded Comprehensive Employment and Training Act (CETA) programs, the practicality of forward funding, and the relationship of CETA to welfare reform are presented in this hearing record. Statements by representatives of the Department of Labor, the AFL-CIO, and the National Association of Counties are presented and include written questions submitted by the task force along with replies. Additional information submitted for the record includes prepared statements on behalf of the National League of Cities and the U.S. Conference of Mayors, information entitled "CETA Programs and Postprogram Experience of Participants," and two tables: "Comparison of Eligible Title VI Clients Identified as of May 31, 1977 to Hiring Goals and Allocations by Region and by State" and "Summer Youth Employment Survey." (EI)

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COMPREHENSIVE EMPLOYMENT AND TRAINING ACT

HEARING

BEFORE THE

TASK FORCE ON HUMAN RESOURCES

OF THE

COMMITTEE ON THE BUDGET
HOUSE OF REPRESENTATIVES

NINETY-FIFTH CONGRESS

FIRST SESSION

JUNE 30, 1977

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COMPREHENSIVE EMPLOYMENT AND TRAINING ACT

THURSDAY, JUNE 30, 1977

HOUSE OF REPRESENTATIVES,
TASK FORCE ON HUMAN RESOURCES,
COMMITTEE ON THE BUDGET,
Washington, D.C.

The task force met, pursuant to notice, at 9:45 a.m., in room 210, Cannon House Office Building, Hon. Parren J. Mitchell, chairman of the task force, presiding.

Present: Representatives Mitchell, Stokes, Holtzman, Simon, Mattox, Burgener, and Latta.

Mr. MITCHELL. This hearing will now come to order.

First, let the Chair apologize for his lateness. As most of you know, I am a stickler for promptness, but if you tried to come into Washington through the northeast section this morning, you know what the traffic problems were. I do apologize for being late.

I thought it was necessary to convene these hearings because as we mark up the second concurrent budget resolution, the issue of unemployment still persists in our communities, and it still takes its toll in the Nation. Consequently, I need not emphasize at any great length the importance of this task force on which we serve.

Moreover, having examined the most recent unemployment data for American youth, I am convinced that the continuation of these efforts is imperative; that is, if we are to address this perennial problem of chronic, systemic unemployment, affecting approximately 45 to 50 percent of the unemployed population who represent the structurally unemployed.

As you are aware, we have devised and implemented a Federal employment and training policy which is supposed to assist the structurally unemployed. Naturally, the absence of an employment training policy would only serve to exacerbate the short- and long-term effects of unemployment on these persons.

However, the mere existence of a Federal employment and training policy is not enough. The real measure of the effectiveness of Federal employment training policies must be measured by the benefits that accrue to the participants. Since the policy to date is at best the most comprehensive Federal effort to address chronic unemployment, I am compelled to examine its effectiveness. Undoubtedly, your presence is an essential element for assuring the sustenance of these programs.

Therefore, the Human Resources Task Force is convening today in an effort to address such issues as what progress has been made in implementing new programs and the expanded CETA programs, the practicality of forward funding, as well as, the relationship of CETA to welfare reform with respect to the second concurrent budget resolution.

I am extremely pleased that you could participate in today's hearings. The format for today's hearings is as follows: The leadoff witness will be Ernest Green, the Assistant Secretary for Employment and Training, Department of Labor. After Mr. Green's statement we will address questions to him. Then we would like to have a panel consisting of Kenneth Young and Robert McGlotten of the AFL-CIO; Jon Weintraub of the National Association of Counties; and Robert Anderson of the League of Cities, U.S. Conference of Mayors. After each of these gentlemen has concluded his remarks, we will address questions to the panel.

First let me take this opportunity to welcome all of you gentlemen who are going to give us testimony this morning. You understand we will address questions to Mr. Green first, and then to the panel second.

I will now ask the ranking minority member, Congressman Burgener, if he has an opening statement to make at this time.

Mr. BURGENER. Thank you very much, Mr. Chairman. You and I represent districts I guess as far apart and as different as they can be—Baltimore, to San Diego, Calif. They do have one thing in common. Our unemployment in San Diego, I think, is around 11 percent. I don't know what yours is. Whatever it is, it is too high.

But, as in our case, probably as in yours, the overwhelming bulk of this unemployment is in youth, in minorities, and certainly in the construction industry. There has to be something wrong with our system. I had a broken pipe here a couple of weeks ago, and I called for a plumber. They said maybe they could come in a couple of months—they just didn't have any plumbers. So, there is something wrong between training and the matching up of needed skills. Perhaps these hearings will help us try to find out what is wrong with the chain of getting from unskilled, unemployed to semiskilled, and fully skilled, employed.

Tnat is the name of the game. I think th hearings can be very constructive.

Mr. MITCHELL. Thank you. Mr. Green.

STATEMENT OF ERNEST G. GREEN, ASSISTANT SECRETARY FOR EMPLOYMENT AND TRAINING, U.S. DEPARTMENT OF LABOR; ACCOMPANIED BY WILLIAM B. HEWITT, ADMINISTRATOR, OFFICE OF POLICY, EVALUATION, AND RESEARCH

Mr. GREEN. Thank you very much, Mr. Chairman. I would like to introduce first to my right William Hewitt, who is Administrator of the Office of Policy, Evaluation and Research in the Employment and Training Administration.

Mr. Chairman and members of the committee, I am pleased to appear before you today to discuss the Comprehensive Employment

and Training Act and to answer the specific questions concerning CETA that were raised in your letter of invitation.

As you know, legislation was recently enacted extending CETA for an additional year—through fiscal year 1978. This simple extension provides the administration and the Congress with additional time to review the many recommendations to amend CETA that have been made. Later this year we will present our proposal for extending CETA beyond fiscal year 1978.

In addition to the recently enacted CETA extension, the House and Senate conferees last week filed the conference report on the Youth Employment and Demonstration Project Act of 1977. This legislation will add a broad array of programs and approaches for dealing with the unemployment problems of youth to the basic CETA statute.

Finally, I would like to mention that the administration's welfare reform legislation, scheduled to be transmitted to the Congress later this summer, will broadly impact on the employment and training delivery system. I will say more about this later in my statement.

I would now like to turn to the specific questions raised in your letter of invitation and to provide you with the information requested.

1. CURRENT PROGRAM LEVELS UNDER CETA

Your first question asks for the current program levels of some of the CETA programs, as well as the implementation status of the proposals funded by the Economic Stimulus Supplemental. Our experience to date in planning implementation of these proposals, coupled with the delay in passage of the Economic Stimulus Supplemental has resulted in some revisions in our earlier program level estimates.

TITLES II AND VI

The current level of public service employment in titles II and VI—reported for June 17—is 329,428 with 266,677 in title VI and 62,751 in title II. This is an increase of 31,436 jobs in the first 5 weeks following the President's signing of the Supplemental on May 13. Our goal is to hire 15,000 new persons in public service jobs per week. There have been major increases in the rate of hiring since the first week and we anticipate being on the scheduled hiring rate within the next 2 to 3 weeks.

For several reasons there was an initial 2- to 3-week delay in hiring new public service employees. First, many local governments have legal restrictions which do not allow action without both local and Federal signature of the grant modification, a process which takes from 1 to 2 weeks. Second, some cities—for example, Boston—have administrative processes which call for hiring once every 2 weeks rather than every week. Third, normal administrative and budget procedures in incorporating such a large amount of money in the local budget authority takes some time. Finally, final approval and signing of specific projects could take place only after official authorization of the funds.

Based on recorded increases and prime sponsor hiring schedules received to date, it appears that our 6-month hiring goal of 600,000 will be achieved.

TITLE IV

The current enrollment level of the Job Corps is about 22,400. The Economic Stimulus Supplemental provided funds to increase the level to 30,000 by the end of fiscal year 1977. We anticipate being able to achieve this level on schedule. We are now in the process of selecting new Job Corps center sites.

TITLE III

A number of new CETA title III initiatives were funded under the Economic Stimulus Supplemental. Before these programs can get underway, standard competitive bidding procedures must be adhered to in order to locate and award contracts to the most highly qualified deliverers of services.

STIP (SKILL TRAINING IMPROVEMENT PROGRAM)

We anticipate that a Solicitation for Grant Application for the STIP program will be released in early October and participants then immediately enrolled. The estimated 34,000 full level of enrollment should be reached by February 1978. You will note that this is a lower figure than our original estimate. The current estimate is based on revised unit cost figures for the program.

FARMWORKER AND NATIVE AMERICAN INITIATIVES

New initiatives to provide additional employment opportunities and employment-related assistance to farmworkers and to Indians and other native Americans were funded by the Economic Stimulus Supplemental. We anticipate that the new initiative programs will result in approximately 8,000 new employment opportunities for farmworkers and 12,000 new jobs for native Americans. Funds for these programs will be distributed on a competitive award basis to eligible applicants. Announcements of these programs will be made in the Federal Register beginning in July, with review panels to be convened in September. Contract signings should take place by November.

HIRE

The HIRE program is designed to make job and training opportunities available to veterans and other target group members through the Nation's major private employers. Funds were provided in the Economic Stimulus Supplemental for approximately 85,000 slots. Guidelines for the program were issued to the field on June 2. A White House conference with major business leaders to launch the program was held on June 14. We anticipate that we will receive a significant number of training proposals from major corporate employers by August of this year.

APPRENTICESHIP INITIATIVES

Funds earmarked in the Economic Stimulus Supplemental together with funds already appropriated for fiscal year 1977 will support an estimated 50,000 apprenticeship slots by the end of fiscal year 1977. To date, over 25,000 of these slots have been filled.

The following is a table showing the current slot levels for all title III national programs, as requested in your letter of invitation.

OFFICE OF NATIONAL PROGRAMS (ETA): CURRENT SLOT LEVELS

Indian/302	55,000
New Indian initiatives	(1)
Migrant-farmworkers/303	290,000
New migrant-rural initiatives	(2)
Other national programs:	
National OJT	20,000
Apprenticeship outreach	12,000
Vocational exploration	5,000
Older worker employment	5,000
Bonding	1,000
National program for selected population segments	[3] 10,000
Programs for persons with limited English-speaking ability	[3] 3,000
HIRE	(4)
Total	401,000
Indian PSE:	
Title II	5,000
Title VI	27,000
Indian summer youth	20,000
Total	52,000

[1] 12,000 slots planned.
[2] 8,000 slots planned.
[3] Funded from fiscal year 1976 appropriation.
[4] 100,000 slots planned.

IMPLEMENTATION OF YOUTH PROGRAMS

Your second question concerns the status of implementation of the new youth programs. As you know, in March President Carter sent to the Congress a message on youth unemployment, in which he proposed three major new youth initiatives: A Young Adult Conservation Corps, a program of Youth Community Conservation and Improvement Projects, and comprehensive youth employment and training programs. Subsequently, in April, the administration's draft legislative proposal embodying these initiatives was transmitted to the Congress.

While the administration's proposal was being considered in the Congress, the Employment and Training Administration began preparation of draft implementation materials based on the administration's proposal. By the time the House and Senate had passed their own differing versions of the youth initiatives, the decision was made by the Department to withhold implementation administratively and await the final outcome of the House and Senate conference.

As you know, the conference version of the bill was filed on June 22.

We are now developing our implementation materials, in order to move forward with implementation of all parts of the youth legislation. The Department is now finalizing interagency agreements with the Departments of Agriculture and Interior to administer the Young Adult Conservation Corps which will be established by the new title VIII of CETA. We are also giving critical attention to the

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development of implementing regulations and field instructions, and the training of regional office staff in order to get operation underway of the new title III youth programs.

3. FISCAL YEAR 1978 OUTLAYS UNDER CETA

With regard to your third question, we do not anticipate at this time, any significant change in our original fiscal year 1978 outlay estimate resulting from delays in the enactment of the fiscal year 1977 Economic Stimulus Supplemental appropriation and the youth program authorization. These delays would, however, result in lower fiscal year 1977 outlays than originally anticipated.

4. CETA REAUTHORIZATION FOR FISCAL YEAR 1979

Next, you inquire as to what we see as the major issues that should be addressed in the CETA reauthorization for fiscal year 1979 and the effect of welfare reform on CETA.

Well over a year ago, the Department of Labor issued a review and oversight paper which discussed what were seen at that time as the major public policy issues that had arisen following the first full year of operation of CETA.

Subsequently, in the latter part of 1976, the Manpower Subcommittee of the House Education and Labor Committee held a series of oversight hearings on CETA, both in Washington and at various locations around the country. During the hearings, testimony was received from representatives of many prime sponsors, program deliverers, public interest groups and others regarding what they perceived to be the most important issues that should be addressed in the CETA reauthorization.

It is my understanding that Congressman Augustus Hawkins' Employment Opportunities Subcommittee plans a new series of oversight hearings on CETA, to begin later this year. Similarly, Senator Gaylord Nelson's Subcommittee on Employment, Poverty, and Migratory Labor intends to hold its own set of CETA oversight hearings.

While the major CETA issues will doubtlessly be further developed and articulated at the forthcoming hearings, we believe they cannot finally be determined until the shape of welfare reform has become more clear.

Employment and training are at the heart of the welfare reform proposals. It is obvious that welfare reform initiatives would require a substantial change in the way we accomplish the basic tasks of labor market analysis, manpower planning, job development, and placement, training design and management, and subsidized job creation. The President has made a commitment to deliver the legislative outline of his welfare reform proposals later this summer. Subsequently we will be in a position to provide more information on the administration's views on the future of CETA, the employment security system and the overall framework of welfare reform.

Clearly, though, certain issues will have to be addressed. One issue, for example, is whether the State should have an expanded role in the planning and delivery of employment and training services. Another issue relates to the respective roles of the Employment Service and CETA prime sponsors in the planning and delivery of those services. Still a third issue concerns the geographic

basis for the planning and operations of these programs. We also need to consider what are the best means for assuring that target groups, particularly welfare recipients, receive adequate services under the employment and training delivery system.

We have been exploring various approaches to these and other critical issues with a wide variety of individuals and organizations, including Members of Congress. Although considerable consensus is emerging on many of these issues, final policies are not yet agreed upon.

The broad principles of the administration's welfare reform proposal have been announced. I would like to briefly review them with you as they affect employment and training programs.

The President has said that his administration intends to do its best to provide training or employment opportunities to families who should work and otherwise would rely on public assistance. Regular employment, especially in the private sector, will always be stressed first, but if no such employment can be found then public service employment or training should be provided to families with children.

The President has stated that welfare reform should cause no additional cost. This does not mean no additional cost over what might have been anticipated once the unemployment rate receded further to acceptable levels. The administration's original planning was to phase out much of the stimulus package as the economy recovers. We now intend to retain the roughly $5½ billion of the stimulus programs for the welfare reform program.

Another of the President's major principles concerning welfare reform is that "local administration of public jobs programs should be emphasized." The management and administration of these special public jobs will always heavily involve elected officials in order to ensure that the jobs are useful and meaningful. The actual administrative structure, for which the details remain to be worked out, will involve some Federal oversight but will rely primarily on the existing apparatus that includes State and local elected officials—principally Governors, county commissioners, and mayors. We will probably rely on them to organize and direct the job creation effort in their respective jurisdictions. Other community institutions, including hospitals and schools, will be given an equal opportunity to participate in the job creation programs directed by the chief elected officials.

Another major issue in welfare reform is, how will incentives to work in regular jobs be maintained and how can unwarranted increases in the public sector be avoided? The President's plan for welfare reform states that "incentives should always encourage full-time and part-time private sector employment." The jobs to be created under welfare reform will always be used only in the event that a regular job for a person cannot be found. The program will be structured so that the first priority is placement in a regular job in the private sector. The person would be placed in a subsidized public service job at the minimum wage, for a temporary period, only if no regular job can be found. A person would not remain in the public service job indefinitely. A sustained effort would be made to place that person in a regular job as soon as possible. The

program emphasis on regular jobs would be reinforced by financial incentives making regular jobs more attractive than public service jobs. With these incentives together with the expected economic recovery, we will have increasing opportunities to place people in the private sector.

We certainly do not have all the problems worked out, but I am confident that we can develop a viable jobs program under welfare reform.

5. FORWARD FUNDING FOR EMPLOYMENT AND TRAINING ASSISTANCE PROGRAMS

In answer to your final question, the Appropriations Committees' action in reducing that portion of the President's request for employment and training assistance programs and the public service employment program that would have provided for the latter months of costs under grants and contracts for which funds would have been obligated in 1978, will have no impact on the fiscal year 1978 outlay levels. It should be recognized however that any additional funds will be requested as needed that may be required for these programs.

Mr. Chairman, this concludes my prepared statement. At this time I would be pleased to answer any additional questions that you or other members of the committee may have.

Mr. MITCHELL. Thank you very much for your testimony. I particularly want to thank you for being one of the few witnesses that I have heard in this Congress who has answered point by point the questions that I raised in my original correspondence to you. This is a rare thing to happen, and I am grateful for it.

I have just two or three brief questions, because I know what it means to come to a hearing and not be able to raise questions. I will be very brief.

Of course, I am pleased with the step up in employment that you are accomplishing. That means something to me, but can you give me an idea as to what percent of the real need is being met after having stepped up your employment practices and put these programs into operation?

We have a mass of people out there who are unemployed. The total operation that you have spelled out before us right now meets what percent of that need?

Mr. HEWITT. It is very difficult to say, Mr. Chairman, what percent of the need is being met. We can indicate that even last year there were about 2½ million individuals who went through the CETA programs. Clearly, if one just compares 2½ million to the average unemployment level, which was in the 7 million range, that is a large figure. But it is very difficult to just make a simple comparison and say that therefore something in the range of 4½ million people who needed something were not getting it because there is a great turnover in the unemployed on a continuing month-to-month basis.

So, a lot of people were unemployed part of the year, and went through the programs, and came out the other side, or stayed in the programs——

Mr. MITCHELL. I might suggest that it would be a pretty good idea to start keeping track of the percent of need being met because

there is going to be a great deal of resistance in Congress, the public, and in general to these programs based upon the changes. Of course, most persons will base their conclusions on the unemployment rate as put out by the Department of Labor.

My second area of concern is the pace at which the farmworker and native American initiatives are moving. You said in your testimony that contract signing on these initiatives would not take place until November.

I have problems with that because one of the continuing criticisms we hear in the Congress is that a program is put into place, and it takes 6 months, 8 months, before it is really implemented or operational.

Can you explain why there is a delay, or excessive time delays in the implementation of these programs taking place?

Mr. GREEN. The process of implementing the program is done on a competitive basis, with participating contractors. There are presently ongoing farmworker programs. These are the additional initiatives under the stimulus package.

We will review those proposals, and we will have finalized the review by the first of November. That is the process, in going through the number of grants that we have——

Mr. MITCHELL. I just wish the process could be stepped up. I think all agencies ought to bear in mind that one of the continuing criticisms of the Congress is the pace at which programs are put into operation.

I guess we will proceed under the 5-minute rule, because the House is now in session. Mr. Latta.

Mr. LATTA. I only have one question. This is about the farm worker and native American initiatives. I am interested in the farmworkers. Out in our part of northwestern Ohio we have a lot of farmers at this time of the year concerned about getting sufficient farm labor to harvest their crops. Is there anything in what you are proposing or what you are doing that will help these farmers get help?

Mr. GREEN. Yes. The Employment Service handles the placement of agricultural workers to meet the farmers' needs. I haven't addressed that in my testimony, but we have had a lower reliance upon temporary certified aliens on agricultural matters over the last 3 years. We think that we should be able to meet the needs of the agricultural community with a domestic work force.

Mr. LATTA. What you are saying, though, in your statement is simply that you have a new initiative to provide additional employment opportunities, et cetera. Can you explain to me what those new initiatives are to help those farmers out?

Mr. GREEN. The new initiatives in the migrant and seasonal farmworker program are to increase for those migrant and seasonal farmworkers who wish to leave the agricultural stream opportunities in other employment situations—and assistance in terms of skills development.

Mr. LATTA. I am sorry, but that is not my question. My question is how are we going to help the farmer get people that he needs—not to get them off the farm, but to get them out there to help harvest the crops?

Mr. GREEN. As I said earlier, we do that through our Employment Service. We are addressing those needs. As farmers file the job orders with the Employment Service, we are able to supply workers for those jobs.

Mr. LATTA. How is your program going to help the farmer specifically? I had a call last night from one of the packers out in our area. All of them, with the exception probably of Dole and a few others, represent northwestern Ohio. They are very much concerned about getting workers. What are you doing, or what is this program going to do to help them get the workers?

Mr. GREEN. The initiatives that I spoke of have to do with the farmworkers. On the farmers side, as I have indicated, as they file orders with us through the Employment Service, we are filling those orders and supplying them with workers to pick their crops and perform whatever the jobs are.

As the statistics will show, we have had over the last 3 years less reliance upon certified aliens to pick the farm crops, and the use of domestic workers has increased. We think that we are able to meet their needs. In this specific case, I would be happy to meet with those farmers from Ohio. But the procedure is that if we have enough leadtime to process their orders, we are able to meet them.

Mr. LATTA. That is your new initiative that you are talking about?

Mr. GREEN. No, this is not the new initiative. The new initiative that I am talking about is to assist those who are seasonal farmworkers and migrant farmworkers in moving from the farmworkers stream.

Mr. LATTA. That is all, Mr. Chairman.

Mr. MITCHELL. Mr. Mattox, you are recognized for 5 minutes.

Mr. MATTOX. Mr. Green, I have had occasion to go into the WIN program in Dallas, Tex. There I was very much concerned, and found—I don't know exactly what you call the contract, but the interlocking contract between the CETA program and the WIN program had not been signed, and the WIN office has been in existence I guess since 1969 in Dallas, and they have never signed it.

The concept is one of having the welfare department, the Texas Employment Commission, and the CETA funded prime sponsors to work together, to try to find people to fill the jobs and try to train people. But that contract has never been signed—a contract in a major city such as Dallas.

So, when people go to register for welfare, they are supposed to sign up in the WIN program and have the courage, and get in the job training program. It has never worked out. I am just wondering if there is an auditing procedure you are going through in the Department to see if you can really and truly judge whether these programs are being carried out the way they are described to us as theoretically supposed to be carried out?

Mr. GREEN. Congressman, the present PSE buildup involves nonfinancial agreements signed between the CETA system, Employment Service, and the unemployment insurance system, to supply the eligibles.

Mr. MATTOX. Excuse me. They are supposed to have those signed, aren't they?

Mr. GREEN. Well, I will check concerning the Dallas situation. But most of the agreements between prime sponsors and State systems have been signed.

Mr. MATTOX. They have not been signed in Dallas, and that concerns me. It concerns me because you have had an office that has been functioning there for quite awhile with the prime sponsors, and perhaps the prime sponsors are using these things mainly as political patronage type jobs and it concerns me.

The reason this was brought to light is recently on the front page of the Dallas paper, when we passed our public service bill this last time, it said Dallas is going to have a very difficult time filling the jobs and filling the training jobs available on this basis, we are not going to be able to do it.

They say we can only find 435 people, or 300 and some, that are needed to fill those jobs. I said they were crazy. I knew that was not the case. What it indicates to me is that if the prime sponsors, prime contractors, for the CETA funds are themselves making those kinds of statements, it indicates to me somehow or other the program is not being carried out adequately.

I know that is the case in Dallas. I am concerned whether that is the case around the country.

Mr. GREEN. Under this present PSE buildup, a reallocation provision is built into the legislation, and we will be using that, one, in auditing, and two, where a particular prime sponsor cannot locate the target pool to reallocate resources to those communities that can.

In the Dallas case, I certainly will followup on that. But we have attempted to get each of the prime sponsors to utilize the nonfinancial agreements with themselves and the State employment service, WIN, and the other agencies to supply the pool of people.

Mr. MATTOX. It is not a question that Dallas doesn't have the unemployed people and the trainable people. That is not the question. The problem is somebody is not administering the program correctly. I was concerned enough about it, after I heard some of the testimony here on the Budget Committee, to go out there and spend a full day looking at the program.

Since that time I have been trying to get your prime contractor in the city of Dallas to start working with the WIN office there and the employment office. After three personal telephone calls from me—I checked on it yesterday, just to see what the situation is—I have yet to get them moving on the contracts.

What they have signed is a letter of agreement that they don't agree. That concerns me. I am concerned that that is the kind of administration we have around the country. I understand what you have answered me as saying that you are auditing the situation.

But what I am doing is encouraging you to get a little tighter hand and harder hand and be a little more demanding. You might put them in the training program, perhaps.

Mr. GREEN. The ETA doesn't have direct hiring responsibility for those programs. Participants are served through the prime sponsor

and the elected official that is responsible for the program. As I indicated, I think that this time around the reallocation process is a lot stronger than it has been previously and that by the end of August for those prime sponsors that are significantly below the hiring goal in the plans they have submitted, we will be at the point of audit and finalizing the reallocation process of removing funds.

Regarding the status of the nonfinancial agreement between the CETA prime sponsor and the WIN program operator in Dallas, I am advised that the Texas Employment Commission, the WIN sponsor, and the city of Dallas, the CETA prime sponsor, signed such an agreement on February 17, 1977.

Mr. MITCHELL. The time of the gentleman has expired.

Mr. MATTOX. I just have one more question, Mr. Chairman.

Mr. BURGENER. I will yield.

Mr. MATTOX. Just a minute ago you said you are going to be following up on your auditing programs in setting the goals. I have looked at the goals of some of the programs. One thing I have been somewhat concerned about is that you are going through your auditing and you are setting up, by statistical analysis, the kind of benefits that you think you are providing to our system; that is, more people on the tax rolls, training people, and your projections are looking pretty good.

But the thing that concerns me is I think you probably have it within your capabilities, through your computer hookups and through particularly social security numbers to not give us a projection through statistical work, but through actual dollar volume. I think you can tell us how much it is costing to particularly train an individual, when that individual goes back to work how much tax money is brought in by that individual's participation in the job market.

I think you can actually show us that. Right now you are using statistical testing. It seems to me through a tracking system you can track people adequately, through the social security numbers, to give us a better idea of the kind of benefits we are getting out of these programs.

The reason I say this is for Mr. Mitchell, myself, and others that have been long supporters of these kinds of programs, it is very difficult for us sometimes to continue to push them unless we have hard evidence that shows what we are trying to show.

If you can show us for every dollar we put into this kind of program you have, we get $1 back in tax money or $2, or we get that much cut from the welfare system, it is pretty easy for us to sell the program.

I am just wondering if you have any ideas about going into an actual tracking mechanism through social security numbers to give us hard figures, either on a random sample basis, let's say Dallas, San Francisco, Baltimore, wherever you might do it, or you are going to continue in your statistical testing?

Mr. GREEN. There is substantial evaluation of the ongoing PSE buildup. Mr. Hewitt is responsible for that. We will be doing some of the things you outlined.

Mr. HEWITT. Yes, we are evaluating the public service employment program buildup. But even before that, we launched in 1975

what we call the Continuous Longitudinal Manpower Survey. We have a national sample of individuals that we are following for 3 years, and will continue to follow through social security numbers after that. It amounts to 15,000 CETA enrollees every year.

The Census Bureau goes out and draws a scientific sample of new enrollees every quarter in a national sample of 147, hopefully scientifically selected, prime sponsors out of the total of 440. We follow these same people through the program, and out the program into the labor market, the same individual, so that you don't run into methodological problems of taking a cross-section look at one time, and looking at different people through a cross-section sample sometime later.

We are just beginning to get the returns from the Census Bureau on the first followup of a sizeable body of those enrollees, and ought in the next several months, to be able to say something about preliminary results.

Mr. MATTOX. I would appreciate very much having the benefit of that kind of information provided not only to us, but provided to this committee, if you could give it to us. I would also like to ask the information on the number of people that go through the CETA program one time, and then come back in the CETA program sometime later.

Can you give me any kind of information on that—retreads back through the same program again, either public service or public training?

Mr. MITCHELL. The gentleman's 10 minutes have definitely expired. Congressman Burgener.

Mr. BURGENER. Thank you, Mr. Chairman.

Mr. Green, how many years of experience do we now have with CETA, approximately?

Mr. GREEN. Approximately 3½ years.

Mr. BURGENER. I believe Mr. Hewitt indicated about 2½ million people had been involved at one time or another with the program.

Mr. HEWITT. That was in fiscal year 1976.

Mr. BURGENER. That was in 1 year?

Mr. HEWITT. Yes.

Mr. BURGENER. 2½ million people?

Mr. HEWITT. Yes.

Mr. BURGENER. However, the number of slots, so to speak, for that year obviously were much lower than that, is that correct?

Mr. HEWITT. The number of slots were just under 900,000.

Mr. BURGENER. In the year 1976.

Mr. HEWITT. Yes, sir.

Mr. BURGENER. Do we have any figures on the average time, if there is such a figure, that each CETA employee spends in the program? Is it a matter of weeks with some, and months with others, and years with some others?

Mr. GREEN. The titles and programs would vary. It would have to be done by particular programs and titles.

Mr. BURGENER. In the largest program, which is title VI, is it?

Mr. GREEN. Yes.

Mr. BURGENER. Do we have an average length of time the CETA employee spends there?

Mr. HEWITT. The estimate we had last showed that those who had terminated had on the average been enrolled for some 5 months, but that did not include many still enrolled, so the average stay would be a good deal longer.

I do not recall the numbers on other program components or types of activities, like institutional training, or on-the-job training, or work experience. But we can find out what those are and supply them to the committee.

Mr. BURGENER. We are all interested in permanent employment, naturally. What strategy do we have for permanent employment? I don't know if this is true but I have been told that studies show the longer a person is on public service employment, the less likely that person is to gain employment in the private sector.

Now, that is a pretty serious charge, if that is true. Do you have program figures, on any of these people that move on to permanent employment—title VI, for example?

Mr. HEWITT. We do not have figures on that at this point. We will be getting them as we proceed with the sample survey.

Mr. BURGENER. In a program 3½ years old——

Mr. HEWITT. Title VI is not 3½ years old, sir. Title VI started in January of 1975.

Mr. BURGENER. Okay. So that is 2½ years old. That is the name of the game, isn't it—what happens to these people?

Mr. HEWITT. Indeed.

Mr. BURGENER. That is where it is at, I would think.

One standard criticism of the program, at least in my area, is that local government merely substitutes these people for people they would otherwise hire. While that results in a reduced cost to local government, it doesn't result in any increased employment. Is that characterization true, do you think, to some degree, and is it national or is that localized?

Mr. GREEN. I think the charge did have some validity last time around. More recently, the target groups were set, limiting who could be enrolled in the program, as the long-term, low-income unemployed, AFDC participant.

In addition to that, the attempt to move with projects, specific projects the people had to be employed in, that the prime sponsor would lay out, I think move away from the substitution problem, and move toward resolving that.

Mr. HEWITT. In addition, if I might supplement that, we have just—last month, it is already underway—financed a study that the National Commission for Manpower Policy has contracted with the Brookings Institution on this very question, the net job creation effects in the kind of program we have now.

We have a substantially different program, as Assistant Secretary Green has mentioned, under title VI, starting on May 13, than we had in effect before—the project approach, long-term unemployed from poor families. This study is supposed to make a report to the Congress next March on the net employment effects of public service employment, and we are working closely with the Brookings Institution to make sure we meet that deadline.

Mr. BURGENER. Is there anything in the law—let's take title VI again—that limits the length of months or time that a CETA employee remains in his or her job?

Mr. HEWITT. No, there is no limitation on the time an individual can be on public service employment. The law says the project must be for 12 months only—that individual can be put into another project, another work project, if circumstances necessitate that—if there are no jobs in the private sector.

Mr. BURGENER. All right. If you would just provide for the record, if you can, what happens after 8 months, some kind of statistical data, where they are? Do they go to another CETA place, become unemployed, get a job?

[The following information was supplied for the record:]

CETA PROGRAMS AND POSTPROGRAM EXPERIENCE OF PARTICIPANTS

On the question of how many participants who have left CETA training or public service employment return and are enrolled again sometime later, we have not been able to develop specific data. There are apparently some such cases, but they are few, probably well under 2 percent. One specific check was possible, from the Continuous Longitudinal Manpower Survey, of some 100,000 participants enrolled in classroom and on-the-job training in January-June 1975. Followup on their status 6 months after they terminated finds that 3 percent were then in some training programs, but that includes those, probably most, who have gone on to further training in other than a CETA program.

As to length of time spent by participants in major CETA activities, there is considerable variation. The following data, from the Continuous Longitudinal Manpower Survey's 18-month followup, are on the time in-program for those who entered CETA programs in January-June 1975.

In the case of PSE, of nearly 275,000 enrollees, 64 percent had terminated by the date of the 18-month followup, but 36 percent were still in the program. The median stay in the program was 10 to 11 months.

As the following table shows, about 18 percent left the program within the first 3 months, some 20 percent left in 4 months, another 13 percent stayed in for 6 months to a year, 11 percent terminated after more than a year but in less than 18 months, and 36 percent were still in the program after having been enrolled for more than 15 to 18 months.

In the case of employability development programs, which include class training, on-the-job training, and adult work experience activities, there were almost 250,000 enrollees entering in January through June 1975. Followup 18 months later finds that 84 percent have terminated and 16 percent are still in the program. Their median stay in the program was 5 to 6 months.

As to distribution, about 30 percent of the employability development enrollees, generally early dropouts, left the program in the first 3 months, some 26 percent stayed in for 4 to 6 months, another 20 percent were in the program for 6 months to a year, and 8 percent terminated after a year but in less than 18 months, while 16 percent were still in the program after more than 15 to 18 months.

On the question of what happens to PSE participants after they leave the program, we have had a special check made of the preliminary data being developed by the Continuous Longitudinal Manpower Survey on the postprogram status of some 127,300 participants who were newly enrolled in PSE positions sometime between January-June 1975, completed their stay, and had been out of the program for at least 6 months.

The data show that 6 months after termination, 62 percent were employed (65 percent of the men, 56 percent of the women), 21 percent were unemployed, and 17 percent were primarily out of the labor force (14 percent of the men, 24 percent of the women). Half of those employed were working for public agencies and half for private employers.

The percentage employed appears to be a significant improvement over the preprogram status, but it has not yet been feasible to complete such before-after analyses on status at particular points in time, proportion of time employed, reasons for unemployment, or earnings rates before and after the program.

These and other data from the first 18 months followup, of CETA participants enrolled in January-June 1975, are now being processed and analyzed. Though there are some technical limitations in these initial followup data, we expect the analyses of them to provide the first detailed indication of postprogram experience over a period of time. These analyses, both for PSE participants and for those in classroom training, on-the-job training, and adult work experience programs, will be provided

to the committee as soon as they are available, which is estimated to be early September.

LENGTH OF STAY IN CETA PROGRAM FOR ENROLLEES WHO ENTERED IN JANUARY-JUNE 1975

Length of stay, calendar days	Approximate months	Public service employment	Employability development [1]
Total number		272,790	247,079
Total percent		100.0	100.0
Terminated by 18-month followup:		64.3	83.6
0 to 29	0 to 1	6.4	10.2
30 to 59	1 to 2	5.7	9.8
60 to 89	2 to 3	6.3	10.4
Subtotal		18.4	30.4
90 to 119	3 to 4	7.7	10.3
120 to 149	4 to 5	6.7	8.4
150 to 179	5 to 6	5.2	6.8
Subtotal		19.6	25.5
180 to 209	6 to 7	3.8	5.5
210 to 239	7 to 8	3.8	3.9
240 to 269	8 to 9	2.1	3.6
270 to 359	9 to 12	5.4	7.0
Subtotal		15.1	20.0
360 to 449	12 to 15	7.4	5.2
450 plus	15 plus	3.8	2.5
Subtotal		11.2	7.7
Not terminated at 18-month followup:			
450 plus	15 plus	35.7	16.4

[1] Includes classroom training, OJT, and adult work experience.

NOTE.—Estimated median stay for public service employment is 315 days. Estimated median stay for employability development is 165 days.

SOURCE: Continuous Longitudinal Manpower Survey.

Mr. BURGENER. I want to get into welfare reform. I will do that at the next round.

Mr. MITCHELL. Okay.

Let's take a 10-minute recess to vote and we will be right back.

[After recess.]

Mr. MITCHELL. Thank you for being patient.

We will resume the questioning with Congressman Stokes for 5 minutes.

Mr. STOKES. Thank you, Mr. Chairman.

Mr. Secretary, at page 3 of your prepared text you state that "based on recorded increases and prime sponsor hiring schedules received to date, it appears that our 6-month hiring goal of 600,000 will be achieved." This is an area in which the Congress appropriated for 725,000 slots. I would be interested in knowing how you arrived at the 600,000 figure.

Mr. GREEN. 600,000 is the end of the year target. The 725,000 was to have been implemented by the end of the calendar year, and to have been sustained. We figured that we would be at roughly 715,000 by the end of the calendar year. As you know, when we started, our original target was laid out beginning on April 1, and we did not get underway until the middle of May. Thus, we were roughly 6 weeks behind in our startup, so we made adjustments for that.

Mr. STOKES. Then your time schedule would be a figure of somewhere around 725,000 by the end of the calendar year or fiscal year?

Mr. GREEN. It would be after the end of the calendar year, adjusting for the 6-week delay from our original target.

Mr. STOKES. What criteria are you using for the selection of new Job Corps sites?

Mr. GREEN. Our basic criteria, Congressman, is to have Job Corps sites that are near areas and regions where there are significant proportions of unemployed young people, which would mean we would be concentrating sites in Federal region 2, in region 5, and then regions 3 and 9. That would allow us, one, to have minimized travel time; also to utilize smaller corps facilities. Camp capacity would be roughly between 250 and 500. It has been our experience that those are more manageable and training and other activities are more easily utilized.

The third is to involve, as we have through the process, sponsors who compete for the operation of those Job Corps camps, and we are now selecting sites. We expect to announce very shortly some six or seven new sites, camps, that have been agreed upon. The process involves the physical selection, the engineering reports, approval, endorsement from the Governor's office of that particular State, and we hope to begin to announce those six or seven new camps very shortly.

Mr. STOKES. Therefore, you don't envision any possible direct shortfall as a result of the delay in terms of being able to put these sites in place?

Mr. GREEN. We anticipate that we should be able to meet our targets by the end of fiscal year 1978. Of course, the Job Corps camp setup can run into problems. It could run into community relations problems; it could run into some engineering problems. We regard most of these camps that we are trying to identify in a turnkey situation. Turnkey means that the renovations would be somewhere under $300,000 or $400,000; that they would have the facilities that could easily bring in the young men and women for those facilities. So we are looking for sites that have easy turnaround on them.

Mr. STOKES. Mr. Secretary, utilizing your experience in employment training, what incentives do you feel are most effective in stimulating private employers to hire publicly trained employees? This committee has tax incentives, direct payments, all at our legislative disposal, and I would be interested in your recommendations in this area.

Mr. GREEN. As the Secretary has spoken many times, the utilization and involvement of the private sector is one area that concerns us. The national program that we developed on the veterans, the

HIRE program, is an attempt to have significant employment training, on-the-job-training activity, in the private sector.

The STIP program, which is a supplement to title I activity, is to involve the primes in closer linkage with private sector involvement, to determine training needs, and to leverage an increase in OJT activity in title I.

As you know, the title I OJT participation is relatively low at this point, I think below 10 percent.

Also we are exploring with Treasury at this moment the incentives, tax incentives that Congress has passed, to be able to get leverage on that, to have greater impact for us, in private sector involvement.

I would be happy to lay out for the committee, as we move forward on our agenda for CETA redraft, where we think areas of improvement in private sector involvement are.

Mr. STOKES. We would be glad to have you supply us with that information. I have some other questions but I will withhold them at this time.

Mr. MITCHELL. We will get back to you.

Congresswoman Holtzman.

Ms. HOLTZMAN. Thank you very much, Mr. Chairman. I appreciate your allowing me to ask questions this morning.

Mr. Secretary, do you consider the CETA title III summer jobs program to be an income maintenance program?

Mr. GREEN. The summer jobs program, as I indicated to you, Congresswoman, is not in the statutes as an income maintenance program. But at the time that I was outside Government serving on a number of task forces, in many areas in the country, I saw that the summer program had in some areas become an income maintenance and not a training program. The criticism I think in the past, and rightly so, was that we were not able to have young people in significant employment opportunities, and that for many of them, that it was just a period of income maintenance.

My hope is that, with our new youth bill, that we will be able to draw on the summer employment program as part of our overall youth scenario, to be able to increase its employment design, employment opportunities. One of the things that we are doing this summer is——

Ms. HOLTZMAN. Mr. Secretary, if I may interrupt, because I only have 5 minutes to question you, I didn't ask you what the new jobs bill provides, I asked you whether you thought title III was an income maintenance program.

Mr. GREEN. I said that in many cases I think it is just an income maintenance program.

Ms. HOLTZMAN. Is it intended to be?

Mr. GREEN. No, it is not intended to be.

Ms. HOLTZMAN. Isn't it true that members of your staff have said that it is an income maintenance program as well?

Mr. GREEN. Excuse me.

Ms. HOLTZMAN. Mr. McConnon, the Deputy Assistant Secretary and Mr. Rogers, the head of the New York office, don't they believe that this is an income maintenance program?

Mr. GREEN. They have indicated I think in a conversation with the members of your staff—and I said right here, Congresswoman, that in many cases it was just an income maintenance program.

Ms. HOLTZMAN. But it is not intended to be by Congress?

Mr. GREEN. No, it is not.

Ms. HOLTZMAN. It is designed to provide employment experience in order to make youngsters more employable; isn't that correct?

Mr. GREEN. That is the design by statute, yes.

Ms. HOLTZMAN. And do you believe that that intention has been achieved?

Mr. GREEN. In many cases it has not.

Ms. HOLTZMAN. I recently prepared a report criticizing the performance of four summer jobs programs sponsors in New York City, and the operations of New York City and the regional office in monitoring the program. One of the charges that I made, on the basis of reviewing materials in the files of New York City and reviewing the monitors' reports, was that youngsters were paid to do nothing.

I guess your statement that this was an income maintenance program in many respects bears that out—that youngsters were not given the kind of training or experience in the summer that would make them more employable.

In this respect, we found that one of the agencies located in Brooklyn was providing youngsters with the following activity in the summer—namely, playing softball. Are you aware of the explanation provided for this by your regional office?

Mr. GREEN. Am I aware of the explanation provided?

Ms. HOLTZMAN. Yes.

Mr. GREEN. No, I am not aware of the explanation provided.

Ms. HOLTZMAN. I would like to bring this to your attention. I think it is very interesting. According to your regional office, softball activities contribute to a vocational goal of becoming recreation supervisors. Do you think that is an appropriate explanation?

Mr. GREEN. How many people were involved in that particular activity?

Ms. HOLTZMAN. I asked, do you think that that is an appropriate explanation?

Mr. GREEN. Congresswoman, taken in context, that could be if it was a small part of the activity of that particular sponsor.

Ms. HOLTZMAN. That wasn't the explanation.

Mr. GREEN. I have no other way of answering it. I would have to know who, what part of——

Ms. HOLTZMAN. Do you think softball activities constitute the kind of job training or employment skill that the CETA title III program was intended to develop; yes or no?

Mr. GREEN. The activities of sports in many urban areas are an important part of young people's lives.

Ms. HOLTZMAN. I know.

Mr. GREEN. If it leads to an occupation—and basketball, baseball, and football activities can lead to full-time employment in the recreation field for many youngsters. Now I don't know how else to answer that.

Ms. HOLTZMAN. So you think that it is acceptable under the CETA summer jobs program, title III, for sponsors to allow the youngsters to play ball all day long.

Mr. GREEN. If that were all they were doing all day long, of course not.

Ms. HOLTZMAN. Doesn't it train them to be professional sports people, according to what you said?

Mr. GREEN. I don't know. The only way I can respond to that, is to have an idea of how much time they consumed in that particular summer program.

Ms. HOLTZMAN. The chairman tells me my time has expired.

Mr. MITCHELL. I am sorry, but in all fairness, it is a very interesting line of inquiry you are pursuing. In order to be absolutely fair, I have to adhere strictly to the 5-minute rule. Perhaps we can come back to you. Congressman Simon.

Mr. SIMON. First of all, having Mr. Green here, I can't help but recall, I think it was the Wall Street Journal the same day juxtaposed the two items of your appointment as Assistant Secretary and the item about Orville Faubus getting a job as a clerk in a bank. I thought it was a very interesting combination of two items on one page in one newspaper.

Take a program like the program that you mentioned on page 4, where there are 85,000 slots. Do you have any feel—are we going to come anywhere near that?

My reason for asking is we set up these goals and we talk about hiring 85,000 in this program and 200,000 in that program, and I sometimes have a feeling we come nowhere near matching these theoretical numbers of actual jobs.

Mr. GREEN. The goal setting for the HIRE program was determined after a greal deal of consultation with the business community, particularly the Business Round Table, and the NAB organization. We think that this goal is one that we can meet, from looking at the hiring patterns of the multiplan corporations that we are targeting this to, and this includes only the contract goals, those for which we will sign actual contracts. We anticipate a number yet unknown, but the Round Table and other business groups assume that we will be able to meet at least this on a voluntary basis, that is without financial reimbursement.

Mr. SIMON. Let me just make one suggestion, and maybe something is already happening in this area. My concern with many of the CETA programs, over against something we did some decades ago that I can still remember, I regret to say and you cannot remember, Mr. Green, is the old WPA program. One of the problems with some of the CETA programs, for example, is that communities, municipalities, whatever the governmental unit in a sense become dependent on that kind of service. The old WPA idea, where you had a Federal executive, and you came in to X community and you planted trees or you had a day care center or you wrote a history of the whole community, it was a project. It was not directly a project of some community or county, and people then did not anticipate that county or city continuing to provide those kinds of jobs. I am just wondering if we shouldn't take a good hard look at what we did a few decades ago, and maybe we don't need to relearn history and reinvent the wheel.

Mr. GREEN. I think one of the important parts of that, just to tag on to it, the Young Adult Conservation Corp is patterned very closely after the CCC camp, and we are clearly building on that previous experience. The projects approach that we think we have under the new PSE buildup, and also we anticipate—we don't have final data until we get our quarterly report, but we are getting a significant increase in community based organizations as subgrantees with the prime sponsors, above what we have had previously. We think the projects will allow us to look at specific things, such as an art program.

We put out a publication that lists 50, what we consider, innovative PSE projects that prime sponsors are involved in around the country, and the range of those is in items that benefit the interests of that community, that can be phased out, but do have a demonstrated need that they satisfy.

Mr. SIMON. If I may just follow through on the suggestion, I think it would be worthwhile for you to have someone—just to go back—there must be an historian somewhere on the staff. I see you are pointing to the gentleman on your right as that person.

I wrote to Prof. Howard, professor emeritus of UCLA, who wrote the history of the WPA and I said as far a you can see, are we using that experience of WPA in CETA and other programs today? He wrote back and said as far as he could see, it was an experience that was entirely neglected as we developed the programs today.

Now whether that is a justifiable criticism, I don't know, but I have the sense, as I look at what is happening in my district, that we could be more effectively utilizing this asset of human resources than we now are.

Mr. MITCHELL. The time of the gentleman has expired. If you want to respond to that, you may.

Mr. GREEN. I think that I would like to followup on that. As I indicated, the projects approach I think does move us closer to some of the WPA experience. A number of the project items do involve cultural activities that prime sponsors are participating in under the new PSE buildup, but certainly it is something that bears looking into further. Evaluation and research of the PSE buildup as well as the youth program, is an important part of our employment and training efforts and we want to be able to come back to this committee and others to present what we have learned, what have been the things that have been most beneficial.

Mr. SIMON. Thank you.

Mr. MITCHELL. The Chair would like to terminate this phase of the hearing by 11 o'clock because we have four other witnesses. So that would give us 5 minutes for any of the members to raise an additional brief question that you want to raise, and hopefully it will be a brief question and a brief response.

Congressman Stokes, do you have an additional brief question?

Mr. STOKES. Thank you, Mr. Chairman.

Mr. Secretary, one of the major problems arising between the Congress and the administration is shortfalls. I sit on both the Appropriations and the Budget Committees of the House, and I have sat through some rather extensive markups attempting to calculate outlays in the stimulus package.

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Your testimony reveals that you are far behind schedule in CETA titles II and VI, title IV, Job Corps, and the new programs of title III aren't scheduled for implementation until February. Furthermore, at the present time you don't have any changes in projected outlays for either fiscal year 1977 or 1978. I am concerned about any areas in which you at this time, can project for us as possible program shortfall. I would appreciate it if you would comment on this matter.

Mr. GREEN. I think the testimony, Congressman, did indicate that we would have lower fiscal outlays in 1977. We anticipate though on the titles II and VI program to meet our schedule. As outlined in the testimony, we have started 6 weeks behind schedule, given the signing of the appropriation legislation.

Second, there are some 100 prime sponsors that really constitute 85 percent of the PSE buildup. A large number of these prime sponsors have been the ones that we have had implementation problems with, primarily because of constitutional restrictions, either at the local government level, or a review by the local council and all of that. We anticipate that in the next 2 weeks we will be up to schedule. In the month of July we will be on schedule and in August we will be able to meet it.

Mr. STOKES. At this time are you projecting any shortfalls in these areas?

Mr. GREEN. No.

Mr. STOKES. Thank you. Thank you, Mr. Chairman.

Mr. MITCHELL. Congresswoman Holtzman.

Ms. HOLTZMAN. Thank you, Mr. Chairman.

I just want to raise one other matter. In a letter to the city of New York dated June 20, the Department's Associate Regional Administrator said that three project sponsors have been recommended by the Department for approval to participate in New York's 1977 summer jobs program. Is it customary, Mr. Secretary, to recommend for approval to a prime sponsor, particular project sponsors, especially when the three project sponsors were under investigation for problems in the 1977 summer jobs program and the summer feeding program, and when a subsidiary of one of the three project sponsors has just been indicted in connection with the summer feeding program?

Mr. GREEN. We normally do not recommend to a prime sponsor either to fund or to bar a subgrantee from funding. As I indicated to you in transmittal, Congresswoman, in the cases of those four subgrantees, there were roughly 25,000 young people that were to be enrolled by July 1 for the summer program. We felt that we had to move ahead with the summer program, and in our initial investigation we recommended to the city of New York that one of the subgrantees, the Crown Heights Community Association, not be given a summer subgrant, and that New York move ahead with the other three grantees in order to start with the enrollment.

On the last question, the indictment of the four individuals in the summer feeding program through Benny Torro, as I will indicate in further transmittal to you, our Office of Investigations and Compliance is holding a meeting with the Inspector General at the Agriculture Department to review the indictment and the coordination of

the monitoring of the summer feeding program, and our summer youth program.

Mr. MITCHELL. Could the Chair raise a question?

Ms. HOLTZMAN. I thought I only had one question to ask, Mr. Chairman.

Mr. MITCHELL. You did, but I too would like to be kept abreast of this situation in New York, because these programs are just so important for the well-being of our Nation. Moreover, we cannot afford the luxury of having them in any way tainted or tarnished. It really leaves some of us in Congress who are staunch supporters in an extremely vulnerable position on the floor of the House. So my request is that I too would like to be filled in completely in writing on the New York situation and kept abreast of all subsequent developments.

Mr. GREEN. I will be happy to do that.

Mr. MITCHELL. Congressman Simon.

Mr. SIMON. I have no further questions.

Mr. MITCHELL. Mr. Secretary, gentlemen, thank you very much. Your testimony was excellent. I would ask this of you: There are many members who indicated to me that they have additional questions, and I would like very much to submit them to you in writing and have a detailed reply back as quickly as possible.

Mr. GREEN. I will be happy to respond.

[The following questions and replies were received for the record:]

QUESTIONS SUBMITTED BY THE TASK FORCE ALONG WITH REPLIES BY SECRETARY GREEN

Question. What PSE level do you now predict by the end of fiscal year 1977?

Response. We estimate a PSE level of 506,800 jobs by the end of fiscal year 1977.

Question. What PSE outlays for fiscal year 1977 do you now estimate for title VI?

Response. Our revised fiscal year 1977 outlay estimate for title II is $473 million and $2.390 billion for title VI.

Question. What is your estimate of the number of people who now meet the title VI eligibility criteria of being long-term unemployed and low income?

Response. Although good data are not presently available on what proportion of the long-term unemployed are low-income family members, it is estimated that they constitute between 40 and 50 percent of all persons unemployed 15 or more weeks. Since in June 1977 there were 1.8 million persons unemployed 15 weeks or more, the probable range of low-income, long-term unemployed persons is 700,000 to 900,000 at any one point in time. Approximately three times this number would meet the criterion over a period of a year.

Question. A recent Department of Labor memo implied that some claimants of unemployment insurance who met the eligibility criteria for title VI public service employment were not interested in CETA. What percentage of eligibles are uninterested? Do you have any idea about why they are not interested in CETA jobs and training?

Response. The percentage of claimants that are eligible for, but not interested in public service employment, is not available. However, there are some data available from which an estimated percentage can be inferred. During the period February 1977 to the end of May, 704,439 UI claimants that had received 15 or more weeks of unemployment insurance benefits were interviewed to determine their interest in and eligibility for PSE. Of the number interviewed, 358,884 (51 percent) were interested in and eligible for PSE.

A series of on-site reviews were conducted in May and June involving a total of 38 prime sponsors and their supporting SESA facilities. One item of information that appeared to be common to all of the sites was that excess family income (over and above the minimum to qualify) was the most significant reason for UI claimants being ineligible for PSE. The most probable cause for lack of interest on the part of the remaining claimants is the type of work and the low pay associated with the PSE jobs as compared to the previous occupational experience and pay rates of participants.

Question. What outlays do you now project for fiscal year 1977 for the youth initiatives under the new authorization?

Response. We now project an estimated $80 million of outlays in fiscal year 1977 for the new youth initiatives.

Question. What are unit cost estimates for the various programs authorized under the new youth bill? What is your estimate of enrollment levels for these programs in fiscal year 1978?

Response. The following shows unit costs and enrollment levels, based on the $1 billion appropriation contained in the Economic Stimulus Supplemental, for the new youth programs.

Young Adult Conservation Corps—Average unit cost $10,500 for fiscal year 1978 and fiscal year 1979. Enrollment level 23,000.

Youth Incentive Entitlement Pilot Projects—Since this is an experimental program, it is difficult to project at this time during the developmental process the unit cost and the enrollment level of this program.

Youth Community Conservation and Improvement Projects—Participant year cost, $7,640; Participants served, 36,000.[1]

Youth Employment and Training Programs—Participant year cost, $4,750; Participants served, 376,000.[2]

Totals: YACC, 23,000; YIEPP, 0; YCCIP, 36,000; YETP, 376,000. Grand total, 435,000.

Question. What is your current outlay estimate for the HIRE and STIP programs?

Response. Our current fiscal year 1977 outlay estimate for HIRE is $24 million and $5 million for STIP.

Question. What are your unit-cost estimates of these programs?

Response. The unit cost per training opportunity is estimated at $1,400 for the HIRE program and $7,966 for the STIP program.

Question. What is your current outlay estimate for fiscal year 1977, by CETA title?

Response. Our current outlay estimate for fiscal year 1977 by CETA title is as follows: Title I, $1.710 billion, title II, $473 million, title III, $360 million, title IV, $230 million, summer program, $595 million, title VI, $2.390 billion; total, $5.758 billion.

Question. Since you now project a delay in reaching 725,000 PSE jobs (compared to assumptions in the President's February budget), what are your new outlay estimates for fiscal year 1978 for title II? Title VI?

Response. We do not feel that the delay in the PSE program expansion in fiscal year 1977 will substantially affect our original fiscal year 1978 outlay estimate. Our outlay estimates for fiscal year 1978 for title II is $1.016 billion and $4.872 billion for title VI. These are the same outlay estimates that were provided in the President's February budget.

Question. What jobs buildup are you assuming—that is, what jobs level do we start with on October 1, 1977 (the start of the fiscal year) and what is the month-by-month buildup thereafter?

Response. Current plans call for having 506,800 participants on-board by September 30, 1977. Of these 421,670 would be in title VI and 85,130 in title II. The plans then call for an additional 60,000 in November (7,000 under title II and 53,000 under title VI); another 60,000 in December (8,000 in title II and 52,000 in title VI); 40,000 in December (9,000) in title II and 31,000 in title VI); 34,000 in January (9,000 in title II and 25,000 in title VI); and 28,000 in February (8,000 in title II and 20,000 in title VI).

This schedule, of course, is subject to change based on actual experience. For instance, at the current time the buildup is slightly ahead of schedule which, if maintained, would mean that the planned buildup figures for later periods could be somewhat reduced.

Question. Given the gradual improvement in the economy, how many people do you estimate will meet the title VI eligibility criteria at any one point in time in fiscal year 1978?

Response. During fiscal year 1978, it appears that the unemployment rate will average between 6.5 and 6.8 percent. With this range of unemployment rates, it is estimated that the average number of persons qualifying for title VI PSE jobs during

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[1] 75 percent—out of school; 25 percent—in-school.

[2] 75 percent—in-school, 25 percent out of school.

fiscal year 1978 would be in the range of 500,000 to 700,000. Approximately three times this number would meet the eligibility criteria over a period of a year.

Question. What is your new estimate of the carryover funds from fiscal year 1978 to fiscal year 1979 under title II and VI?

Response. We estimate that we will carryover from fiscal year 1978 to fiscal year 1979 approximately $200 million of title II funds and $559 million of title VI funds.

Question. Is it feasible to expand to 1 million public jobs in fiscal year 1978?

Response. Based on our experience to date, it appears that expanding to 1 million public service jobs would be possible, if scheduled properly. However, the feasibility of such an expansion would depend on such factors as the types of clients served, the types of jobs created, the method of administering the program, and the time frame for expansion.

Question. The President's budget included fiscal year 1978 outlays of nearly $900 million for the new youth initiatives, inclusive of Job Corps and summer youth. What is your current fiscal year 1978 outlay estimate for these efforts given the delay in implementation mentioned in your testimony?

Response. We do not feel that the fiscal year 1977 delay in implementing the new youth programs will affect our original fiscal year 1978 outlay estimate. Our current fiscal year 1978 estimate is $863 million, the same estimate provided in the Presidents' February budget.

Question. What is your current fiscal year 1978 outlay estimate for the Job Corps?

Response. Our current fiscal year 1978 outlay estimate for the Job Corps is $385.5 million.

Question. What is your current fiscal year 1978 outlay estimate for STIP and HIRE, given the delay in implementation mentioned in your testimony?

Response. We do not feel that the fiscal year 1977 delay in implementing the STIP and HIRE, will affect our original fiscal year 1978 outlay estimate for these programs. Our current fiscal year 1978 estimate of $116 million for HIRE and $250 million for STIP is the same estimate provided in the Presidents' February budget.

Question. For all CETA titles other than titles II and VI public service employment, the President's budget included fiscal year 1978 outlays of $4.559 billion. What is your current estimate of fiscal year 1978 outlays for this account?

Response. Our current outlay estimate of fiscal year 1978 outlays for all CETA titles other than titles II and VI is $4.478 billion.

Question. Current administration plans appear to anticipate a major responsibility for CETA prime sponsors in running the public service employment portion of the welfare reform program. Prime sponsors would be required to develop minimum wage jobs for welfare recipients. What constraints are there on raising the wage level?

Response. There is one major constraint on raising the wage level, and that is cost. DOL estimates that at the minimum wage, 1.4 million work and training slots would be needed to provide, to any primary wage earner with a family who might seek it, an income opportunity that would bring the family above the poverty level. Funding this number of slots will cost about $9.4 billion. However, that amount would fall within the zero-cost budget constraint laid down by the President in his May 19 message. The $9.4 billion would be recovered from certain current budget items that are expected to be replaced by welfare reform. Total costs would probably rise much more than this, since additional numbers of individuals would seek these jobs, finding them now more attractive than other alternatives that might be available to them.

Mr. MITCHELL. Thank you both, gentlemen, for your excellent testimony, and for your cooperation.

Mr. GREEN. Thank you.

Mr. MITCHELL. The Chair has a slight dilemma. We have two groups of witnesses that we had hoped to lock in together, but there has been a request that they be separated. The AFL-CIO has asked that it go on separately, and the other group later.

Unless there are some major problems with that, I would now ask the two witneses from AFL-CIO to take the witness stand and we will proceed.

Mr. Young and Mr. McGlotten, it is always good to see two staunch friends in terms of championing the cause of getting America back to work. We welcome you to this hearing, and we await with great anticipation your testimony. Welcome to both of you.

STATEMENT OF KENNETH YOUNG, ASSOCIATE DIRECTOR, AFL-CIO; ACCOMPANIED BY ROBERT McGLOTTEN, LEGISLATIVE REPRESENTATIVE, AFL-CIO

Mr. YOUNG. Thank you very much, Mr. Chairman.

Mr. Chairman, the AFL-CIO appreciates this opportunity to present testimony on programs funded under the Comprehensive Employment and Training Act, CETA. Accompanying me is Robert McGlotten, legislative representative for the AFL-CIO.

Mr. Chairman and members of the commmittee, the Comprehensive Employment and Training Act of 1973 and subsequent amendments have been vital to the question of manpower services in our society. Since CETA's inception, the AFL-CIO has testified on many occasions in regard to its strength and its weaknesses. We believe CETA represents only a small part of a much needed manpower program that should address itself to the needs of all the unemployed and underemployed persons desiring retraining and job opportunities in both the private and the public sectors.

Specifically, we would like to address ourselves to the issues which you raised in your letter of June 13, 1977.

With respect to the first issue—and our testimony goes on to spell out pretty much what the Secretary said in terms of numbers, in terms of goals, and in terms of anticipated enrollment levels by the end of this year—we have been informed by the Department of Labor that as of June 17, approximately 1 month after funds were allocated, the Department had a total enrollment of 329,428 PSE jobs. The Department anticipates by June 30, 1977, additional enrollment of 20,000 persons, and that during the remainder of this calendar year it will reach a goal of 710,000 persons, bringing the total enrollment close to the 725,000 projected level. We further understand that the reason for the relatively slow start is the need to develop a total manpower delivery system as the legislation intends.

Mr. Chairman, on the second issue, it appears that the Labor Department will meet its required goals in the economic stimulus appropriations package and the youth program authorization. If this is correct, then the task force may want to recommend to the Budget Committee an increase in budget authority and outlays for additional enrollees in both the public service emloyment program and the youth component after careful investigation to insure that the program is operating in a productive way and serving the proposed clientele.

Issue No. 3, Mr. Chairman, is an issue which we believe is of utmost importance. We are talking about the direction of manpower policy and programs for fiscal year 1979 and beyond. The AFL-CIO has strongly urged the Congress to adopt legislation that creates a full employment program addressing itself to the needs of all Americans. Once our Nation has a real full employment objective, the major thrust of manpower legislation should provide training, job development, and upgrading components for youth and adults in both the private and public sectors with a continuation of public service employment as a supplement to the private sector in times of high unemployment. But these components must fit within a full employment economy.

Manpower training and job creation components must be directed toward meaningful jobs that have visible upgrading provisions without tax subsidies, substandard wages for youth, or welfare wage differentials. This, in our opinion, will require a return to some federalization of our manpower delivery system, for without that ingredient it is inconceivable that we can develop a nationwide, comprehensive delivery system of services, training, and placement. The AFL-CIO clearly sees CETA and its public service component as only a part of an overall much needed manpower policy.

Question No. 4, Mr. Chairman, has greatly disturbed the AFL-CIO. The press and some officials in the administration have implied that all future jobs in the public sector subsidized by CETA should be paid at the minimum wage and the recipients be from the welfare rolls. While the AFL-CIO has no problem with requiring persons who are willing and able to work to accept a job at a decent wage, we do object to categorizing persons who are recipients of our various welfare programs as a class of people that require no more compensation than the minimum wage, or in some cases, even less.

Welfare recipients who can work should receive the same employment and training opportunities as other individuals in our society, and they should not be stigmatized by a wage rate which says to them, "We are going to put you to work, but this is as far as you can go, as far as any kind of advancement."

The nature of our competitive society is supposed to give all of us the right to compete on a basis of nondiscrimination as it relates to training, employment, and upward mobility.

Mr. Chairman, the present extension of CETA has targeted its program to the long-term unemployed, those who have exhausted unemployment compensation and AFDC recipients. These persons, in our opinion, are the neediest but also there are other groups for whom we have attempted to provide services—such as veterans, Indians, women, blacks, browns, and handicapped. It is inconceivable in our mind that Congress should take the one major jobs component which we have and stress that its clientele only come from welfare rolls. If a portion of these jobs are to be set aside for welfare recipients, then we suggest at least a sufficient number of job slots be set aside for other disadvantaged groups to insure that persons who are unemployed for whatever reason do not have to go on welfare before being offered a job under public service employment.

On the fifth issue, Mr. Chairman, we think that the Labor Department will be able to reach its goals in both the youth program and extension of title VI programs for fiscal year 1977-78. We, therefore, do support additional budget authority and outlays in a spring supplemental for 1 million public service jobs. We have no reason to believe at this time that the economic situation is going to improve so drastically that there will not be a need for 1 million public service jobs for Americans who cannot find work.

We were not heartened in any way by the press reports of the two-tenths of 1 percent drop in the leading economic indicators in May.

These jobs will provide help for many of those most in need. Public service employment is an important ingredient in any pack-

age of economic stimuli. If used correctly it can be of direct benefit to the unskilled, the semi-skilled, and the young, all of whom are suffering double-digit unemployment.

In conclusion, Mr. Chairman, until the administration and the Congress provide us with a full employment program, CETA's public service employment program will remain the "only game in town" for millions of the jobless, and the "name of the game" is providing the funds to put people on payrolls.

Mr. MITCHELL. Thank you very much for your testimony. As per usual, it is very sharp, concise, and clear, and gives a real mandate for those of us who want to tackle the chronic unemployment problem in this country.

In the event that the Chair and others would want to follow through on the increase in the number of public service jobs to 1 million, you know we will enlist your support, because that is going to be tough.

The Chair has a couple of questions. Really this is a statement. I think the Congress is being very foolish in terms of using the CETA jobs for welfare recipients. Really, this is the kind of reaction that I did not expect from the Congress or the administration for that matter. It has highly political overtones to me. Welfare is not right. Therefore it becomes the target. Therefore they take the jobs from CETA. Therefore, those who really desperately need the CETA jobs who are not on welfare are going to be denied because we fund these programs in such a niggardly fashion.

More specifically with reference to public service employment, some concerns have been raised by Members of Congress, that is the CETA titles II and VI, some concern that the allocation of funds to prime sponsors for public service jobs does not really match the distribution of people who meet the eligibility for such jobs. Have you looked into that problem area at all?

Mr. MCGLOTTEN. No. Mr. Chairman, let me see if I understand what you are saying. You are saying that the distribution formula as it relates to the various prime sponsors is not really addressing itself to the needs of the clientele in their particular jurisdiction?

Mr. MITCHELL. That is correct. The formula for this is kind of wide now as you know.

Mr. MCGLOTTEN. That is correct.

Mr. MITCHELL. And obviously there are areas which do not have the same high rates of unemployment as do other areas which are entitled to public service jobs. That is the distribution, a maldistribution factor it seems to me, but if you have not made a specific inquiry into it, I won't pursue it, for I suppose it will be our responsibility to look into that area.

Mr. MCGLOTTEN. I have not, Mr. Chairman.

Mr. MITCHELL. Congressman Simon.

Mr. SIMON. In general, I am in complete agreement with the thrust of what your statement suggests. There is one area that I am concerned about with which I think at this point I disagree, and that is in regard to the minimum wage, not on the welfare end of it but the minimum wage side. I think we ought to make these jobs available with Government as the employer of last resort, and we ought to have all kinds of meaningful things for people to do.

The difficulty in not moving to a minimum wage is really a twofold one. One is what our chairman said before, that it is tough to get something passed. I think it will be much easier if that job of last resort is tied to the minimum wage. I think the resistance on the part of many Members of Congress will diminish, and on the part of the administration.

The second is a very practical problem, that if you peg it higher than the minimum wage, are you encouraging people to move into the private sector, and if the private sector really ultimately has to provide the bulk of the jobs? I would just be interested in your response to that second part of the question.

Mr. YOUNG. Well, Congressman, first of all, of course, we would like to see more and more jobs in the private sector. It is a fact that the public sector is growing, and I am not talking about the subsidized part of the public sector, so there are jobs there, and we don't consider them to be second-class jobs. They are jobs as useful, as meaningful, and as productive as private sector jobs.

Mr. SIMON. Right.

Mr. YOUNG. Second, as I think you know, one of our real concerns has been that if the Government provides a way to, in effect, undercut ongoing wage levels, especially in the service areas, which are the lowest areas, then you have a real incentive for substitution.

You know, I think people often misunderstand when you talk of prevailing rates. We are talking about the prevailing rate on that job for doing the same work. As you know, in the youth bill there are all sorts of incentives to come up with new jobs, new types of jobs, to reclassify, restructure, and the conference report on that bill thoroughly explains what the problem is.

It is our feeling that one of the real ways of turning the economy around, of course, is to build consumer purchasing power, and to give people a decent living wage, and we think to just come in and, (a) provide a special incentive to pay people less and (b) put people in at a wage level that they just can't live on just doesn't make sense for the economy itself. We think the economy can assume a decent wage level and people can be paid decent wages, and we just do not believe that when people come in to the low level, and when you are talking about the last resort jobs that is where they are going to be coming, that they aren't going to do everything they can to move up and out of that.

Now whether they move up into regular jobs in the public sector and decent jobs in the public sector, or whether they move up and out into the private sector, I don't really think is important.

Mr. SIMON. I agree on that, and I guess we all grew out of our own provincial—I look at it from the viewpoint of southern Illinois where we have a lot of poverty and high unemployment, and I see an awful lot of people who, if we could provide minimum wage jobs, it would just be such a tremendous thing. I think that we could sell that to Congress.

The difficulty is if we provide jobs, say, CETA jobs, that pay $7,500 to $10,000 a year, and I am not talking about undercutting jobs that are competitive with other jobs, but let's just say we launch a project planting trees in southern Illinois. If we pay $7,500

or $10,000 a year, there is not going to be an incentive to move out of that job into those other public sector or private sector jobs.

Mr. YOUNG. But, Congressman, there is nothing that prohibits your launching a new project and new type jobs; there is nothing in CETA that mandates that you pay $7,500 or $8,000. It is very conceivable those projects would pay the minimum wage.

Mr. SIMON. Some of them do. But whenever these exceptions come along, and I have to say I have seen some of them myself in my district, where jobs just really are almost nothing jobs, and they get reasonably high salaries. It makes it a lot tougher to sell the program to the public and our colleagues.

Mr. MCGLOTTEN. We understand that kind of problem, but according to the Labor Department, statistics don't bear that out. They say the average time of a CETA enrollee is 8 months. So they have to be going into some other kind of job. And I would suspect giving an individual who has the opportunity to move into a public service employment job as a worker, he is interested in moving out and getting back into the private sector. So I think, really, that doesn't bear out, according to the Labor Department, if the average recipient stay is only 8 months.

Let me also go on to say that as far as the welfare piece is concerned, in dealing with the minimum wage, in most cases, particularly in the North and the Northeast, and if you are dealing with the minimum wage, all of those particular individuals will be on public service employment and will still be drawing welfare and food stamps and medicare. You are not really taking them out of welfare. The only thing you are doing is providing an income maintenance program at the minimum wage.

Mr. SIMON. In Illinois we pay much above the average on welfare. The majority are taken on, with the exception of food stamps and the medicaid program, the majority do move off of welfare, those who have been on welfare.

I think the weakness of the statistical analysis, and I am aware of that, is that it does average out, and 8 months sound pretty good, but there are just too many who are on the other end of things. Here you are talking to somebody who has voted for every CETA appropriation. I am for the program and I am cosponsor of Humphrey-Hawkins, but I think we have to work out some kind of a handle that makes it a little easier, both for the public and for our colleagues, to accept employment of last resort by the Government for everyone.

Mr. YOUNG. If I can, Congressman, and I say this with tremendous sarcasm, having now spent 2 days and nights over on the Senate side on Labor-HEW appropriations and following it on this side, it just seems to me that if we want to do that, and I am being very sarcastic, but given the present mood of the Congress, I think we can determine a new way to have "last resort" jobs. What we do is we make sure—for example—there are no surveys to see if everything is going right. No wages are spent for abortions. You don't pay the minimum wage. You have no affirmative action for upgrading. There are no jobs for Vietnam veterans. No jobs for homosexuals. No pairing or clusters of jobs with regular workers.

It just seems to me, and maybe I am just tired today, that the mood of the Congress is the people at the bottom just are not going to be helped. I just can't conceive that people that are on minimum wage, and the overwhelming majority of people in this country do want decent jobs, they do see television, they see what other people are getting, and if they are at low wage rates, they will take any opportunity they can to get better jobs and to move on and have a decent living for themselves and their families. I know you are correct that it is going to be a tough job in the Congress. It seems to me every one of the fights to increase public service employment has been a tough fight in the Congress. We just have to keep fighting and moving ahead, bringing the part of our population that is out of work or underemployed into the mainstream, and I don't know what the answer is except to keep pushing for it. I am convinced the answer isn't to try and make sure that the wage rates are really low, because I think that presents a tremendous problem.

Mr. MITCHELL. Will the gentleman yield just a moment?

Mr. SIMON. Yes.

Mr. MITCHELL. I agree with everything you have said, Mr. Young, but I am asking for possible tools and some additional weapons.

Mr. SIMON. Yes.

Mr. MITCHELL. One really beneficial weapon will be that longitudinal study that the Labor Department referred to. We can hit the Congress with hard facts. It is 8 months on the average. X number of people move from this program into the private sector making *x* amount of money. That will be a real strong sword for us. I guess I have publicated my growing fear and concern with some of the actions taken by the Congress over the last 10 days. They have just been heinous actions, but rather than lament that fact, I think both Congressman Simon and I are asking for some additional weapons in our arsenal, so we can continue the good fight.

Mr. YOUNG. Mr. Chairman, I am sure the Congressman knows I was not talking about him.

Mr. MITCHELL. Oh, no.

Mr. YOUNG. What I am saying, I think the information from that study would obviously be helpful when it comes forth. Where I think we are trapped sometimes, all of us, if we maintain a high unemployment rate it is extremely difficult for people to move on into the private sector. Then people say: "See, the program does not work because people do not go into jobs." Where there are relatively few jobs, it is a very frustrating thing, and both of you Members know that.

Mr. SIMON. In sense it is a vicious circle——

Mr. YOUNG. That is absolutely right.

Mr. SIMON [continuing]. If we get jobs, and then all of a sudden the private sector is stimulated a lot more.

Mr. MCGLOTTEN. That is correct.

Mr. SIMON. I think the chairman is right. What we are really looking for is tools. I can remember the day you made a motion, and I think you and I are the only ones that supported it here in the committee, to have more money for jobs, because I remember we decided we were going to vote more money for unemployment compensation rates than jobs, which was some kind of an irony in one day.

Our colleagues are not unreasonble people, but we need some more tools, and I think we cannot be too rigid in saying we have to have this, we have to have that. We may have to be a little flexible on Davis-Bacon and some other things that we fundamentally like, in order to get something sold, and then revise the thing as we move along.

Mr. YOUNG. I think, as you know, Congressman, we did that in our discussions with both the House and Senate side in terms of the youth employment bill.

Mr. SIMON. Yes.

Mr. YOUNG. In trying to provide some more flexibility. One thing we are determined to fight against, of course, is any effort to take people who are presently unemployed, move them into gainful employment at the expense of someone that is on the job.

Mr. SIMON. Right.

Mr. YOUNG. Because that is the vicious cycle all over again.

Mr. SIMON. We are in agreement again as we are on most things.

Mr. YOUNG. We all want a growing economy. I guess the basic question, both with the administration and other Members of Congress, is how do you accomplish that? How do you really get that?

Mr. SIMON. Thank you, Mr. Chairman.

Mr. MITCHELL. Gentlemen, thanks to both of you. You are always some of the easiest witnesses for me to work with because we are tuned in on the same wavelength. Thank you very much.

I will ask you to respond in writing to the problem area that has been raised, that is with specific reference to the summer youth program.

As you know, the Senate is now up to 1.5 million in summer youth jobs. The House is at 1 million, and specific questions are being raised, in light of all the other youth program efforts, is it reasonable to go up to that 1.5? Can communities really gear up to handle another half million kids? I would like to get your thoughts on it. I have some very firm thoughts myself.

Thank you both very, very much.

[The questions and replies follow:]

QUESTIONS SUBMITTED BY THE TASK FORCE ALONG WITH REPLIES BY ANDREW J. BIEMILLER (DIRECTOR, DEPARTMENT OF LEGISLATION, AFL-CIO)

Question 1. What is your current estimate of the number of people who now meet the title VI eligibility criteria of being long-term unemployed and low income?

Answer. The first issue is a little hard to correctly answer because of unavailable data. Presently there are 1.7 million persons who are considered long-term unemployed and who are receiving unemployment compensation now, and of course they would meet the criteria of being low income. However, if you look at the number of persons who are no longer receiving unemployment compensation and who are discouraged and have dropped out of the work force, I would say that 4 million persons would be a conservative estimate and is probably more like 6 million.

Question 2. There is some concern that the allocation of funds to prime sponsors for public service jobs does not match the distribution of people who meet the eligibility for such jobs. Could you comment on this?

Answer. As to the second question we have not been apprised of any difficulty in this area.

Question 3. The Senate Labor-HEW appropriations bill includes $893 million to fund 1.5 million summer youth jobs. By contrast, the House bill provides funds for 1 million such jobs in the summer of 1978.

During the summer of 1978, many young people will be enrolled in the Job Corps, the special new youth programs, title I programs, public service jobs, and other title

III programs. Given that summer youth enrollees must be low income, will there be 1.5 million low-income youth available and not enrolled in other CETA programs?

Given the many other program efforts prime sponsors are now making and will still be making in the summer of 1978, will they be able to develop jobs for and properly supervise 1.5 million young people?

What do you believe is the practical limit for summer youth jobs in the summer of 1978?

Answer. On issue No. 3 I personally believe that 1.5 million summer youth jobs is not an excessive amount of job slots. It is even conceivable that you could go as high as 2 million. The big problem that you have with that many job slots is what kinds of jobs would they be engaged in, and of course the prime sponsors would have to be somewhat innovative in seeking to insure that various agencies and not-for-profit organizations would at least have a year of leadtime for planning. If that could be accomplished then I see no reason why summer youth programs should not be expanded to 1.5 million jobs for the summer of 1978.

Question 4. Current administration plans appear to anticipate a major responsibility for CETA prime sponsors in running the public service employment portion of the welfare reform program. Specifically, prime sponsors would no longer have the title VI public service jobs program as we know it. Instead, they would be required to develop minimum wage jobs for welfare recipients.

Could you react to this shift in programing and in responsibility for prime sponsors?

What problems, if any, do you anticipate in creating jobs for this population?

Do you expect people will be attracted to minimum wage jobs?

What constraints are there on raising the wage level?

What types of jobs do you expect will be developed?

Could you comment on the possibility of displacement of workers who might otherwise have been hired by State and local governments?

Answer. Issue No. 4 is one which we think that the administration has not thought out very well. To your first point under (4) I think the prime sponsors would have a tremendous problem in that many welfare recipients have very little if any work experience. Therefore to try to throw them into a working situation without prior counseling and other assistance that they may need to prepare themselves for the world of work would cause chaos for the prime sponsors and his regular work force. In addition, with jobs being paid just at the minimum wage there is very little incentive for a welfare recipient to work on a minimum wage job, depending on the family size, persons are still eligible for food stamps, medicaid and in some cases housing allowances, all of which he or she is receiving now. So why would this person want a job paying little money with no chance for advancement? Another point in (4) which you raised is "What constraints are there on raising the wage level?" My answer to that is none. What essentially it will mean is that if you are paying decent salaries for decent kinds of occupations, the only constraint I see is that there will be less people in the program. As to your last point under (4) I can visualize a host of problems as it relates to substitution and displacement of workers who are presently employed in the cities, counties and other political subdivision. In fact I would say that the lesser skilled jobs now performed by employees of State and local governments and making a decent wage would be subject to wholesale displacement and substitution by a program that is paying just minimum wages.

Question 5. Two aspects of the title VI public service jobs reauthorization have been cited as creating greater difficulties in raising the jobs level rapidly—the targeting of the new jobs on the long-term unemployed and low-income persons, and the requirement that the new jobs be filled in projects that are separate from regular city and county functions. Could you comment on whether these difficulties are real, and how large the problems are?

Answer. The last issue is not borne out by the Labor Department's statistics in reports that we have seen as of June 15, 1977. They had prime sponsors who had identified 240,000 long-term unemployed and AFDC recipients that could be put to work almost on an immediate basis, according to the Labor Department's report. They would admit, however, that depending on the prime sponsor who is not very innovative, absorption can be a problem but that could be corrected by directing the authorizing committee to instruct the Labor Department to physically assist prime sponsors who are needed.

Mr. YOUNG. Thank you, Mr. Chairman.

Mr. MITCHELL. At this point the Chair would like to submit formally for the record the testimony of Robert Anderson, who is unable to be with us today.

[The prepared statement of Mr. Anderson follows:].

PREPARED STATEMENT OF ROBERT ANDERSON ON BEHALF OF THE NATIONAL LEAGUE OF CITIES AND THE UNITED STATES CONFERENCE OF MAYORS

Mr. Chairman, members of the Human Resources Task Force of the House Budget Committee, I am pleased to present the views of the National League of Cities and the United States Conference of Mayors on the Comprehensive Employment and Training Act (CETA)—a program which has done more than any other to restore confidence in the American people that if they want to work, they can be trained and placed in meaningful work experiences.

CETA is a unique governmental venture. It was the initial effort of the Federal Government to decategorize and decentralize the myriad training and employment programs, and provide a comprehensive, coordinated approach to Federal financial assistance for these activities. Additionally, CETA created a mechanism—the prime sponsor—for controlling, in an equitable and rational fashion, the administration and delivery of needed training and employment services. Lodging primary authority for manpower programs in the political jurisdiction was a wise and prudent course. It established an accessible and responsive locus for coordinating peculiarly local employment and training needs.

Despite early problems with delays in creating job slots and Labor Department guidelines which, in many instances, subverted the intent of the legislation to leave prime sponsors flexible in making policy decisions, CETA has been a demonstratedly successful program which deserves reauthorization.

Like any relatively new program which has now had a number of years to work through the rough spots, CETA's experiences have pointed our Nation's mayors to certain guides for future operation. Any reauthorization must incorporate the following principles:

First, *eligibility for prime sponsorship.* As individuals who stand in the arena of escalating local unemployment and fiscal instability, and who firsthand have the data at their disposal to address uniquely local needs, mayors wholeheartedly endorse the existing concept of prime sponsorship and would strongly resist any significant changes. The singularity of the CETA prime sponsor and the political jurisdiction affords the nexus to insure that employment programs are coordinated in the best interests of all the people of a jurisdiction, and, at the same instance, accords the prime sponsor the flexibility and speed with which to expeditiously address special local problems.

Second, any attempts to *mandate funding* of community based groups or other units of Government, councils of government or school districts *by bypassing* the prime sponsor, would be counterproductive to the original intent of CETA. Prime sponsors have taken affirmative steps to involve community based groups of demonstrated effectiveness in the planning and implementation of citywide employment efforts. If responsibility is divided, then the accountability for the effectiveness of the CETA program will be divided.

Third, *funding, hold harmless, and the allocation formula.* Needless to say, should title I funding be adequate to insure each prime sponsor dollar amounts that are at least comparable to the previous year, many of our concerns over hold harmless and the allocation formula would become less significant. But, it is, nevertheless, important to highlight these issues.

The 90 percent hold harmless provision with a decrease of 10 percent annually has been pernicious to larger cities. Chicago, for example, which received $41 million prior to CETA, will be allocated, because of hold harmless, only $22 million this year. Baltimore has slipped from $16 million to $8 million. If it were not so sad, it would be almost laughable to refer to such a provision as a "hold harmless" clause. Compounding the consequences of this provision is the fact that it reduces CETA funds in many jurisdictions which face enormous increases in joblessness.

If it is feasible to revise the elements of the formula allocation so that CETA funds are targeted to areas of greatest need, we would urge such a change. But, we would also warn that "targeting" concepts are not the same as categorization by earmarking or specific set-asides. Rather, targeting involves formula changes and the concomitant redistribution without restricting prime sponsor flexibility by creating presumptive deliverers of employment services.

Finally, *private sector involvement.* Inclusion of the private sector, particularly in training programs, is an eminently sensible approach if there is to be any utility in training programs. Industry needs are best understood and identified by the private sector. Their active involvement would insure that training would lead to available and meaningful job opportunities.

Needless to say, this statement of principles does not exhaust the specific concerns of the League of Cities and the Conference of Mayors concerning CETA's future. During the next year, we will compile a list of specific changes which we believe would improve the Federal employment and training effort, and lead to a more efficient and effective operation.

With respect to the specific issues included in your invitation to testify, a general statement of concern is in order.

Since CETA was enacted, prime sponsors have absorbed the major portion of blame for program malfunctions, ranging from "pipeline" problems to charges of violation of the maintenance of effort requirement. Little real and hard evidence has substantiated this indictment; in fact, an honest assessment of the program reveals that delays in the congressional appropriations process and regulations issued by the Labor Department have restricted the ability of prime sponsors to meet targets or goals imposed by the Congress or the Department. Again, this year, we are faced with that recurring scenario. President Carter proposes a stimulus package, a major component of which is a massive injection of public service jobs, increasing enrollees from 310,000 to 725,000 by the end of the first quarter of fiscal year 1978. Prime sponsors receive weekly bulletins from the Department of Labor to plan for this new money; DOL even sets a schedule for reaching job placement goals. Yet, the Congress, because of questions concerning portions of the stimulus package unrelated to public service employment, delayed enactment of the stimulus program for 2 months. Meanwhile, prime sponsors are behind in meeting Labor Department program levels for the jobs package and striving mightily to meet established goals. We sincerely hope that next year, when the Congress is reviewing reauthorization of CETA and the performance of prime sponsors with stimulus funds, it recalls that the delay was a congressional delay, that the goals were set by Labor—not prime sponsors—*before* any money was in the field. Prime sponsors were placed on their own 1-yard line with fourth down and 15 yards to go, told to go for it, and not given the football!

What we are saying today is judge us, and judge us critically, but judge us fairly.

Finally, I would like to comment on the proposed work component of the administration's welfare reform package. None of us would question the dedication or commitments of those in HEW and DOL who seek to create a welfare system that is fair, responsive to human needs, not "demeaning," and capable of being administered. The problem is not the ends, but the means. The work component assumes a viable economy in which most if not all of title II and title VI public service jobs can be shifted to implement the welfare work component. In addition to being somewhat skeptical about achieving that strong an economy, we also resist tying the hands of prime sponsors by mandating who shall serve in public service employment. Certainly, guidelines are necessary, and those exist in present legislation; but also necessary is the ability of local administrators to assess unique employment and economic conditions and address those with the public service jobs component of CETA.

We have serious reservations about the proposed salary levels for the public service jobs being proposed under the administration's welfare reform. Congress has just recently adopted a comprehensive youth employment measure which mandates payment of prevailing rates of pay to unemployed disadvantaged youngsters aged 16 through 21. How can we justify payment of prevailing rates to youth and then mandate their parents to work for less money or for fewer hours. Union constraints, city charter restrictions and civil service rules further obstruct the easy implementation of this provision. Something must be done to recognize locally divergent wage rates.

Another underlying assumption of the work component which deserves attention is the decision to allow a higher welfare supplement to those individuals able to find jobs in the private sector as compared to those who take public service jobs. This concept misplaces the "incentive", and at the same time discriminates against public service. People seeking employment have no control over the availability of private jobs; furthermore, in their disadvantaged state, they are less likely to qualify for the limited number of available private opportunities. Why then penalize them for taking public employment? If anything, the Federal Government should increase incentives to private employers so that more private sector jobs are created.

We hope that the input given to the Department of Labor by many prime sponsors will prompt a review and revision of the proposed work component plan.

The League of Cities and the Conference of Mayors have long supported forward funding of employment programs—both for the summer as well as for public service jobs. It is only when prime sponsors have sufficient advance notice of the levels and

duration of the programs which are to be operated that they can plan rationally and prevent the least disruption to program participants.

This year, summer of 1977, for the first time, prime sponsors have had dollar allocations for the summer youth employment program well in advance of the actual program operations. We believe that the result, when studies are conducted this fall, will prove that prime sponsors implemented the most innovative and effective summer program in the history of such programs, as a consequence of the leadtime made available to them by the Congress.

Certainly the same is even more true for massive infusions of public service jobs funds. No prime sponsor can hire hundreds of additional people in meaningful employment on 24 hours' notice. The more leadtime provided by the Congress, the more effective programs will be. The more time allowed to plan, the greater the likelihood that jobs will come closer to being meaningful work.

If one is under pressure to hire quickly—one hires quickly—with little thought given to the consequences for either the participant or the effective use of taxpayer dollars. We urge Congress, in the strongest terms possible, to forward fund both public service jobs as well as summer employment programs on a regular basis.

Mr. Chairman, members of the task force, thank you for the opportunity to present our views on this vital program. I hope that your deliberations and the conclusions drawn from the testimony presented at these hearings will strengthen CETA, and dispel many misconceptions about the operation of the program.

Mr. MITCHELL. At this time, we ask Jon Weintraub, the legislative representative for the National Association of Counties, to take the witness stand and we will hear from you.

We are delighted to have you with us again. We are getting to be old friends now, we have been in so many hearings together.

STATEMENT OF JON WEINTRAUB, LEGISLATIVE REPRESENTATIVE, NATIONAL ASSOCIATION OF COUNTIES

Mr. WEINTRAUB. Before I start my statement, in response to the question that you asked the previous witnesses regarding the summer youth program, the National Association of Counties and United States Conference of Mayors/National League of Cities, did a very brief survey for Senator Magnuson on different CETA programs, with regard to their capacity for fiscal year 1978 summer youth jobs. I do not have it with me today, but I would be happy to share that with you.

Mr. MITCHELL. I would be delighted if you would let me have that. Here again it is another weapon in our arsenal that we are going to have to employ.

Mr. WEINTRAUB. I will summarize and include the full statement for the record. We support the reenactment of the Comprehensive Employment and Training Act and Welfare Reform as major country priorities in the 95th Congress.

We feel that CETA should be extended for a minimum of 3 years with a variety of technical amendments. I will pass over the data that I included for your reference to highlight the county role in CETA and in the delivery

I would like to point out the fact that counties, in 18 States, administer welfare services, and serve 50 percent of the AFDC caseload in the country. We put these statistics forward as background to our policy that, "we support the goal that all adult Americans who are able, willing, and seeking work should be given opportunity for useful paid employment at true wages."

We do not feel that true welfare reform can occur without a sufficient number of jobs for the employees in the welfare system.

We feel that something must be done to stimulate jobs in the private sector. There are hardly enough jobs now being created to meet the needs of the expanding labor force, much less impact on the unemployment rate. We feel that there is a need for an overall national policy for our unemployed.

Moving to the questions that you specifically directed to us, given the change in CETA title VI and the change in administrations, we feel that it was probably a blessing that PSE appropriations were delayed beyond the original April 1 startup date. Both prime sponsors and DOL administrators were given a chance to train staff and potential project applicants.

While congressional delay in providing appropriations will undoubtedly cause some delays in project hiring schedules, we feel, and from talking with prime sponsors around the country, that the types of projects and jobs created will be enhanced. Because of appropriation delays and delays in authorization, it is our reading, although we don't have the computer capacity that the Labor Department has for retrieving information, that there will be an undoubted shift towards higher outlays in fiscal year 1978 as compared with what was previously predicted.

We would go along with AFL-CIO and support a spring supplemental to increase the jobs level to a minimum of 1 million jobs in late fiscal years 1978 and 1979.

In taking a look at issues of CETA reenactment, I think it is important to restate the major reasons for CETA success: The laws' recognition that a locally defined program design and mix provides the best services to those most in need; allocating funds based on a needs formula rather than who hustled best is the best way to go about it; and, providing access to employment and training services for all Americans regardless of residence.

Let me highlight some of problems in the existing law, if I may.

First, in redrafting CETA, assuming that title VI is targeted to those welfare recipients able to work, as in the present design, Congress should attempt to seek uniformity in client eligibility within all the CETA titles.

Currently there are four income criteria which are expressed as criteria for allocation methodology and client eligibility. These are economically disadvantaged, low-income level, 70 percent of the BLS lower living standard budgets, and in the new youth bill, 85 percent in the BLS lower living standard budget.

CETA intake workers suffer from shock as they try to direct potential clients from one table to another to the program that they are eligible for rather than the program best designed to meet their needs. This is a developing problem in the system.

Often eligibility requirements bear no relation to the criteria for allocation of funds. Within the limits of data availability, we would hope that CETA funds are allocated on a basis consistent with the congressionally determined population to be served.

On administrative costs, we would hope that Congress would see the light and provide a simple amendment so that administrative cost dollars could be pooled instead of being tracked separately by title. This would simplify the management function and make life for the operators a lot easier.

Undoubtedly, the question of hold harmless will be an issue. I would just like to highlight the fact that currently there are two hold harmlesses in the CETA title I allocation methodology. First, there is a 50 percent hold harmless within the allocation formula keyed to last year's allocation, and then there is a 90 percent hold harmless that applies after the formula allocation is made. When House and Senate CETA conferees first looked at the question of hold harmlesses, and looked at the computer runs, the conference report on CETA shows that there was a general thought that the need for any hold harmlesses would disappear after 3 or 4 years, and that we could get to a point to allocate funds based on need and not past history.

Our analysis of the two hold harmlesses show that 16 prime sponsors gained anywhere from $139 to $2.3 million over their fiscal year 1977 title I formula allocation based on need because of the 90 percent hold harmless factor.

On the other side of the coin, 22 prime sponsors lost funds by being held at 150 percent of last year's level. These losses varied from 1 percent to about 20 percent of what they would have received.

We feel that title I has been the forgotten title of CETA, and that as hopefully we move towards slowly decreasing unemployment rates, we feel there is a strong necessity for putting increased funding into title I, and that by doing so, any question of hold harmlesses would disappear.

Our primary interest in any welfare reform system is for fiscal relief for county governments, whose budgets are currently stretched to the limits by contributions of local share and adminstrative costs for SSI, AFDC, food stamps, title XX, emergency relief, medicaid, et cetera.

Another major budget burden that is exclusive to county governments is the cost of general assistance which supports refugees, undocumented aliens, pending social security recipients, and emergency relief.

A major question in welfare reform is who is responsible for the intake, benefit and work eligibility determination function; payment function; labor exchange function; and, employment development function. This raises an issue which is basic to CETA reenactment, of how CETA unemployment insurance, the employment security system, and State and county welfare responsibilities, including social service delivery, will be managed.

We, too, are concerned, as is AFL-CIO, with the present thinking with regard to minimum wage. We recognize Mr. Simon's concerns of getting a bill through the Congress. However, unless we are going to create kind of another level of government, a "fourth estate" of nonprofit agencies that will be providing jobs for welfare recipients at minimum wage, we are questioning where these jobs will occur. Entry level jobs in local governments start a lot higher than the minimum wage.

We don't see any serious move on the part of the current administration to stimulate jobs in the private sector. In any of the meetings on welfare reform we have gone to, there is lip service given to private sector job creation, and an immediate move to the fact that we will place them all on the public sector.

One possible way of responding to that issue within the current designs in the HEW papers and DOL papers, is that one could vary both the income support floors and the earned income disregards based on cost of living. This which is currently not integrated into the current drafts of the welfare reform proposal.

We are taking a look at a variety of possible delivery systems for welfare reform, and would be happy to discuss further comments on that with you and your staff in the next month or so.

We are concerned that if title VI is devoted to the welfare client population, and as lower skilled individuals assume these jobs, there will be a need for the establishment of a permanent public sector employment program with national and local unemployment triggers which provide increased authorizations with a rise in the national unemployment rate, while targeting funds to areas of high unemployment.

A bill similar to this was S. 1695, which was the Senate version of the original title VI bill. We are quite concerned since title VI has been the biggest jobs program and the major countercyclical tool for local governments to maintain basic services, that as the skill of individuals available drops, we will need a permanent public sector title, either inside or outside of CETA, as an expansion of countecyclical assistance, or at some other program.

On forward funding, we definitely support the concept, and we congratulate the leadership of the House Budget Committee in achieving that goal in the economic stimulus package. Forward funding gives the prime sponsor an ability to plan effectively while being assured of a certain program level over a certain period of time.

The danger of forward funding, however, is the propensity of the Labor Department to overmanage the system. We have experienced a Dr. Strangelovian approach of, "I have a formula," which when applied has had the effect of holding back initial attempts of prime sponsors to get PSE off the ground.

Prime sponsors have been told that they had 13.3 percent of their title VI allocation to sustain 6 months of operation and buildup. This reflects, if we remember, DOL's original desire of managing funds by fiscal year. Prime sponsors were also directed to design a hiring schedule to reach a peak in 9 months.

This peak level would then be sustained for 9 months under this design. This action presupposes a standard level of hiring per month. In abstract, it is good to have goals per month in managing a system for so many jobs.

Our country is very different, and this approach defeats prime sponsor flexibility in responding to both needs of seasonal unemployment and needs for seasonal services. It prohibits prime sponsors from reaching higher job levels at periods of higher local unemployment rates.

This overmanagement by DOL forces the prime sponsor to involuntarily pass on these restraints on flexibility to program agents and community based organizations. These same restraints apply to balance of state counties in rural areas.

We feel that forward funding is crucial to the success of CETA. We hope that the Budget Committee, in insisting on forward fund-

ing, would caution DOL against the folly of overmanaging the system.

We support the necessity of a spring supplemental to provide forward funding of CETA in fiscal year 1979. We would suggest that that include money to increase the PSE jobs level, increase the youth program to a minimum of the agreed conference level of the $1.5 billion, since it is only now $1 billion, and to provide increased money for title I, assuming the minimum wage goes up.

If you look at Congressman Dent's reported bill the minimum wage would be increased to $2.85 an hour versus the present $2.30 an hour. That yields about a 24 percent increase in the minimum wage. This would require, instead of $1.88 billion for title I something like $2.35 billion for title I, just to hold the same level harmless.

Let me end there, and then I would be happy to answer any questions.

[The prepared statement of Mr. Weintraub follows:]

PREPARED STATEMENT OF JON WEINTRAUB, LEGISLATIVE REPRESENTATIVE, ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES [1]

Mr. Chairman, members of the task force, my name is Jon Weintraub. I am a legislative representative with the National Association of Counties. I serve as staff to the National Association of Counties' Employment Steering Committee. This steering committee is responsible for developing NACo's policy on all employment and training related programs, including the jobs aspects of welfare reform.

We are here today to advise you that the reenactment of the Comprehensive Employment and Training Act and Welfare Reform are the major county priorities in the 95th Congress. We feel that CETA should be extended for 3 years with some technical amendments.

As you know, Mr. Chairman, counties are the primary deliverers of employment, training and income support programs in this country. In fiscal year 1977, 41 percent (181) of the 446 CETA prime sponsors are single counties, while only 15 percent (66) are single cities and 31 percent (140) are local consortia, almost all of which include one or more counties. Thus, over 70 percent of the CETA prime sponsors are or include counties. This figure does not include all of the smaller counties served by 51 balance of State prime sponsors, 4 statewide consortia, and 4 rural ceps. The data for fiscal 1976 is similar:

Type of prime	Number	Percent of total P/S	Total (Titles I, II and VI)	Percent of total dollars
Single county	175	40.6	$643,000	17.8
Consortium	135	31.3	966,000	26.7
City	66	15.3	708,600	19.6
State/territory	50	11.6	1,006,000	27.8
Statewide consortia	5	1.2	127,000	3.5
Governor's grants			155,100	4.3
Indians			9,900	.3
Total	431	100.0	3,616,000	100

Beyond their CETA responsibilities, twelve hundred and sixty-nine (1,269) counties in 18 States administer Federal welfare services and, as a result, serve fifty percent (50%) of the AFDC clients in this country.

[1] The National Association of Counties is the only national organization representing county government in the United States. Through its membership, urban, suburban, and rural counties join together to build effective, responsive county government. The goals of the organization are: To improve county governments, to serve as the national spokesman for county governments, to act as a liaison between the Nation's counties and other levels of government, and, to achieve public understanding of the role of counties in the Federal system.

We review these statistics as background to our stated policy: "NACO supports the goal that all adult Americans who are able, willing and seeking work should be given opportunities for useful paid employment at fair wages" [Section 5.17 of the American county platform]. We cannot expect true welfare reform without sufficient jobs for the "employables" in the welfare system. Currently, there are hardly enough jobs being created to meet the needs of the expanding labor force (it increased by almost 3 million people in 1976), much less impact on the unemployment rate. We need an overall national policy geared to providing jobs, primarily in the private sector, for our unemployed population.

Given the changes in CETA title VI and the change in administrations, it was probably a blessing that PSE appropriations were delayed beyond the original April 1 startup date. Prime sponsors and new DOL Administrators were given the chance to train staff and potential project applicants. While the congressional delay in providing appropriations will undoubtedly cause some delays in project hiring schedules, we feel that the types of projects and jobs created will be enhanced. Because of the appropriation delay for PSE and the delay in authorization of the youth program, there will probably be some shift to higher outlays in fiscal year 1978.

CETA REENACTMENT

In reviewing major issues for reauthorization of CETA, we would first like to reinforce the three primary reasons for CETA success: (1) the law's recognition that a locally defined program design and mix provides the best system of services to those in need; (2) allocating funds based on a needs formula rather than who "hustled" best; and (3) providing access to employment and training services for all Americans regardless of residence.

In any consideration of amendments, these major points of basic philosophy cannot be breached.

CLIENT ELIGIBILITY VS. ALLOCATION METHODOLOGY

In redrafting CETA, assuming title VI is devoted to those welfare recipients able to work, Congress should attempt to seek uniformity in client eligibility in the other CETA titles. Currently there are four income criteria which are interspersed as criteria for allocation methodology and client eligibility. They are: Economically disadvantaged (defined as $5,850 for a family of four); low-income level (defined at $7,000 with respect to income in 1969 updated by the Consumer Price Index, section 701(a)(4)); 70 percent of the BLS lower living standard budget (defined for an urban family of four at $9,588 in May 1976, 70 percent of which is $6,712); and, in the new youth bill, 85 percent of the BLS lower living standard budget ($8,450). Simply stated, the CETA intake worker suffers from shock as he or she directs eligible clients to the proper program. In addition, eligibility requirements often bear no relation to the criteria for allocation of funds. Within the limits of data availability, CETA funds should be allocated on a basis consistent with the congressionally determined population to be served.

ADMINISTRATIVE COSTS

Program administration and management would be simplified if prime sponsors could pool administrative costs for each title of CETA instead of tracking them separately [See section 3(b) of S. 503].

HOLD HARMLESS

Prior to the enactment of CETA, employment and training funds were distributed based on who "hustled" best for categorical grants and funding of those grants was not based on need as defined by unemployment and/or poverty.

In order to curb initial losses in changing systems, prime sponsors were given the luxury of two hold harmlesses in title I. First, 50 percent of the allocation formula is keyed to the prior year's allocation [section 103(a)(2)(A)] and, if that isn't sufficient to halt losses, prime sponsors are guaranteed 90 percent of the prior year's allocation [section 103(f)].

House and Senate CETA conferees thought that the necessity for the hold harmless provision would probably disappear in 3 years, *so at time of reenactment we could begin to allocate based on need and not past history!*

Our analysis of this situation shows that 16 prime sponsors gained anywhere from $139 to $2.3 million over their fiscal year 1977 title I formula allocation based on need because of the hold harmless factor. These gains varied from 0.02 percent to 25.5 percent in a year when title I funding increased by $300 million.

On the other side of the coin, 22 prime sponsors lost funds by being held to 150 percent of last year's level [section 103(a)(4)]. These losses varied from 1 percent to 19.4 percent of what they should have received from an allocation formula based on need. This section of the law was designed to limit initial windfall gains.

We feel that title I has been underfunded since CETA's inception. By putting increased funds in title I, the 90 percent hold harmless issue will disappear to the point where the allocation of employment and training funds based on need, not past history, will occur.

On the 150 percent ceiling issue, we recommend that section 103(a)(4) be amended to apply only for 1 year for each new prime sponsor upon assumption of prime sponsorship.

DEFINITION OF UNDEREMPLOYED

The definition of underemployed (section 701) makes it virtually impossible to provide upgrading opportunities for the underemployed, since few of the working poor actually receive wages below the poverty line. Congressional intent should be clarified in any redrafting of CETA. If upgrading is expected to be a real activity, the definition should be reworked in terms of the Bureau of Labor Statistics' lower living standard budget.

CETA AND WELFARE REFORM

NACo's primary interest in welfare reform is for fiscal relief for county governments whose budgets are stretched to the limit by contributions of local share and administrative costs for SSI, AFDC, food stamps, title XX, Federal emergency relief, title IVB, medicaid, etc. The major budget burden exclusive to counties is the cost of general assistance which, for example, supports refugees, undocumented aliens, pending social security recipients, and emergency relief.

A major issue in welfare reform is who will be responsible for the intake, benefit and work eligibility determination, and payment functions; the labor exchange function; and, the employability development function. This question raises the issue of integrating CETA, UI, ES, and State and county welfare responsibilities, including the social service delivery function.

NACo's policy identifies separate work security, income security and social service programs as the major components of a welfare reform system. Flexibility to adapt the structure of the delivery system to individual State and local constraints should be the cornerstone of a welfare reform program.

NACo has been working on these issues directly with DOL and DHEW as well as through the New Coalition. We intend to share detailed comments on the design of the welfare reform delivery system with you over the next several months.

We are concerned, as lower skilled individuals assume the title VI PSE roles, that Congress consider the establishment of a permanent public sector employment program with national and local unemployment triggers which provide increased authorizations with a rise in the national unemployment rate while targeting funds to areas with high unemployment (similar to the original title VI bill, S. 1695).

FORWARD FUNDING

NACo supports the concept of forward funding. We congratulate the House Budget Committee's leadership in achieving that goal with the economic stimulus package. Forward funding gives the prime sponsor an ability to plan effectively while being assured of a certain program level over a significant period of time.

The danger of forward funding is the propensity of the Labor Department to overmanage. The "Dr. Strangelovian" approach of "I have a formula" hurt the initial attempts of prime sponsors to get PSE expansion off the ground. Prime sponsors were told that they had 13.3 percent of their title VI allocation to sustain 6 months of operation and build-up. This reflects DOL's insistence on splitting the funds by fiscal year. Prime sponsors were also directed to design a hiring schedule to reach a peak in 9 months. This peak level was then to be sustained for 9 months. This action imposes a standard level of hiring per month.

This approach defeats prime sponsors flexibility in responding both to needs of seasonal unemployment and needs for seasonal services. It prohibits prime sponsors from reaching higher job levels at periods of higher local unemployment rates.

This overmanagement by DOL forces the prime sponsor to involuntarily place restraints on the flexibility of program agents and community based organizations. These same retraints apply to balance of State counties in rural areas.

Forward funding is crucial to the future success of CETA. We hope that the Budget Committee, in insisting on forward funding, would caution DOL against the folly of overmanaging the system.

We support the necessity of a spring supplement to provide forward funding of CETA in fiscal year 1979. This implies early action on CETA reenactment by the authorizing committees next spring.

Mr. Chairman, thank you for the opportunity to appear before your task force. NACo looks forward to working closely with you in the future. I would be happy to answer your questions.

Mr. MITCHELL. Thank you very much. You have given us some really firm recommendations, and I assure you we will follow through on them.

We do have a record vote on now. I will confer with my colleague, whether it is fair to hold you any longer, Mr. Weintraub, or whether or not we should submit our questions to you. I frankly don't know what folly is about to take place on the floor of the House, and how much time we will have to spend over there.

Mr. WEINTRAUB. I am happy to submit to written questions, or talk to your staff.

Mr. SIMON. I will not be able to return, Mr. Chairman.

Mr. MITCHELL. Then I think the best procedure is to submit questions. Believe me, I do have some particularly with reference to your recommendations on hold harmless.

[The questions referred to along with replies by Mr. Weintraub follow:]

QUESTIONS SUBMITTED BY THE TASK FORCE ALONG WITH REPLIES BY MR. WEINTRAUB

Question 1. What is your current estimate of the number of people who now meet the title VI eligibility criteria of being long-term unemployed and low income?

Answer. Nationwide there are 259,000 clients who have been identified in DOL reports as eligible for CETA title VI as of May 31, 1977. The clients are distributed such that 45 percent are recipients of unemployment insurance benefits for 15 weeks or more, 27 percent are WIN enrollees, and 28 percent are others (veterans, unemployment insurance exhaustees, or those ineligible for benefits but low income and unemployed 15 out of 20 weeks).

Assuming all these clients are placed, and assuming all 253,000 enrollees onboard remain with the program, an additional 88,000 eligible clients will need to be located and placed in order to meet the goal of 600,000 in title VI jobs.

In fact not all 259,000 clients identified as eligible will be placed in title VI jobs. A percentage will find work on their own and no longer be eligible. Another percentage will not be able to afford the terms of employment in title VI projects—because of transportation difficulties, mismatch between client skills and job requirements, loss of child care and other support services on withdrawal from WIN, lack of permanence/job security, and risk to status in existing income maintenance systems.

A rule of thumb used by the employment service (ES) is that approximately one-fourth of all registered clients referred to jobs are actually placed in jobs. If this proves to be the case for title VI projects, then 65,000 out of 259,000 currently eligible clients will be placed. If we then follow this rule to its ultimate conclusion, we will need to locate and certify an additional 1,129,000 eligible clients in order to fill the remaining 282,000 jobs and reach the goal of 600,000 placed in title VI jobs.

We are not sure whether it is viable to apply the ES rule to the title VI experience. However, if this rule suits the title VI experience, we could experience serious problems in meeting our goals.

The Zorinsky amendment to title VI in the new youth bill may open up eligibility to a large number of applicants and should increase the proportion of "others" eligible relative to the WIN and UI recipient categories, which is fixed in terms of total numbers. The disadvantage is that there are no reliable estimates of the possible extent of the potential "others" category and no reliable estimate of how may "others" will be brought in by the Zorinsky amendment.

If the pool of eligible title VI clients is expended to meet national hiring goals, this does not guarantee success in meeting regional, State and CETA prime sponsor goals, unless the eligible pool for each of these levels is adequate. Attachment A compares the number of eligible clients identified as of May 31 to the hiring goals projected for each Federal region and each State within that region. This comparison may illustrate a real shortage of eligible clients. On the other hand it may indicate (1) the effectiveness of the systems designed to identify eligible clients, or (2) the appropriateness of the hiring goals.

ATTACHMENT A

COMPARISON OF ELIGIBLE TITLE VI CLIENTS IDENTIFIED AS OF MAY 31, 1977, TO HIRING GOALS AND ALLOCATIONS—BY REGION AND BY STATE

Region and State	Clients identified	Hiring goals	Title VI allocations
Region I	14,259	28,072	$399,926,958
Connecticut	4,175	5,942	100,525,023
Maine	999	2,101	32,414,804
Massachusetts	6,815	16,378	207,739,618
New Hampshire	491	1,566	18,165,105
Rhode Island	1,709	1,337	27,118,359
Vermont	70	741	13,964,049
Region II	42,100	63,631	948,911,067
New Jersey	9,670	16,534	249,292,139
New York	29,662	37,256	561,371,041
Puerto Rico	2,579	9,841	138,247,887
Virgin Islands	189		
Region III	20,657	37,416	525,578,073
Delaware	1,843	953	16,159,070
District of Columbia	166	811	20,496,026
Maryland	2,073	5,899	82,894,395
Pennsylvania	14,897	17,752	284,885,903
Virginia	1,678	8,675	83,573,701
West Virginia		3,326	37,568,978
Region IV	41,515	62,081	756,731,806
Alabama	2,826	5,811	63,647,170
Florida	10,810	17,935	240,798,500
Georgia	5,611	11,055	124,594,432
Kentucky	6,586	4,508	57,878,811
Mississippi	3,147	5,569	38,875,513
North Carolina	4,474	6,812	100,749,615
South Carolina	2,117	5,046	58,739,329
Tennessee	5,944	5,345	71,448,436
Region V	83,886	62,761	1,059,727,120
Illinois	11,346	15,594	223,146,661
Indiana	15,563	7,744	111,454,413
Michigan	1,379	11,550	285,531,451
Minnesota	11,646	4,336	76,420,174
Ohio	32,239	18,171	276,785,640
Wisconsin	11,713	5,366	86,388,781
Region VI	13,353	50,247	349,240,529
Arkansas	2,085	11,821	43,550,317
Louisiana	4,818	10,951	63,102,186
New Mexico	1,626	2,976	29,541,052
Oklahoma	1,492	6,187	38,102,751
Texas	3,332	18,312	174,944,223

ATTACHMENT A—Continued

Region and State	Clients identified	Hiring goals	Title VI allocations
Region VII	2,744	11,764	$142,265,862
Iowa	1,025	1,645	24,985,160
Kansas	1,293	2,091	20,825,908
Missouri	.....	7,281	83,874,694
Nebraska	426	747	12,580,100
Region VIII	10,715	6,163	90,755,508
Colorado	8,413	3,769	43,188,256
Montana	1,095	535	14,848,250
North Dakota	354	.....	4,575,011
South Dakota	350	180	4,328,530
Utah	384	1,402	20,492,486
Wyoming	119	277	3,322,975
Region IX	18,767	39,597	762,807,073
Arizona	1,103	5,553	73,110,748
California	16,146	31,651	642,987,772
Guam	.....	.....	3,461,167
Hawaii	901	1,282	26,740,634
Nevada	617	1,111	19,967,919
Region X	10,930	11,342	205,594,599
Alaska	.....	1,097	9,126,524
Idaho	584	676	14,311,172
Oregon	8,181	5,507	81,590,525
Washington	2,165	4,062	100,566,378

Question 2. There is some concern that the allocation of funds to prime sponsors for public service jobs does not match the distribution of people who meet the eligibility for such jobs. Could you comment on this?

Answer. It is very possible that the title VI economic stimulus base and discretionary allocations will not match the distribution of eligible clients. The base and discretionary allocations were distributed according to the title VI formula which was developed prior to the eligibility amendments. The formula is based entirely on numbers of unemployed, which may or may not bear a relation to length of unemployment, level of income, or welfare status.

Furthermore, the time period used for the allocation was calendar year 1976. The allocations are based on the numbers of unemployed during the 3 highest consecutive months from January 1 to December 31, 1976. Over 75 percent of all allocations were in fact based on the 3 months from January 1 to March 31, 1976. Thus, the allocations may bear no relation to the numbers of unemployed in the prime sponsor areas 1½ years later. However, it should be understood that the dilemma faced by the U.S. Department of Labor in issuing title VI allocations was either that of (1) speedy issuance of dollar amounts and rapid implementation based on 1976 unemployment data, or (2) delayed issuance of dollar amounts of delayed implementation while waiting compilation and verification of 1977 unemployment data.

In addition to the formula and the timetable used to figure allocations, there is a third reason why allocations may not match the distribution of eligible clients. The allocations must be used to serve two purposes. The first purpose is to sustain those title II and VI enrollees already onboard through fiscal year 1978, and the second is to expand to hiring new enrollees from among the low-income, long-term unemployed.

May 1977 data show that between 131 and 194 prime sponsors are experiencing a sustainment problem (see comments in S. Rept. 95-283, p. 10 accompanying H.R. 7555). Some of their economic stimulus allocations will have to go toward sustainment rather than toward expansion in projects.

While there are several reasons why allocations theoretically may not match clients, we still have only preliminary data on the actual situation. Attachment A compares eligible clients identified as of May 31, 1977, to hiring goals and to allocations. The hiring goals are not absolute, but represent estimates or guidelines developed in the national office and published in Field Memorandum 331-77. These goals established using 1976 dollar figures and allowing for 2 percent inflation—and are admittedly neither current nor necessarily reliable. Despite these drawbacks, this is the only information currently available. From the data presented in attachment A it is possible to convert the raw numbers of eligible clients identified into percentages, i.e. to show a specific State's pool as a percentage of the national pool. It is possible to do the same for the allocations State by State, region by region. However, at a glance it is possible to compare clients and hiring goals. Since hiring goals are closely correlated with allocations, this procedure should suffice. Data from Vermont and Michigan show glaring tenfold differences between clients and hiring goals.

The accuracy of the dat on the client pool is a good test for Congress to monitor regarding the ability of ne employment service system.

Question 3. The Senate Labor-HEW appropriations bill includes $893 million to fund 1.5 million summer youth jobs. By contrast, the House bill provides funds for 1 million such jobs in the summer of 1978.

During the summer of 1978, many young people will be enrolled in the Job Corps, the special new youth programs, title I programs, public service jobs, and other title III programs. Given that summer youth enrollees must be low income, will there be 1.5 million low-income youth available and not enrolled in other CETA programs?

Given the many other program efforts prime sponsors are now making and will still be making in the summer of 1978, will they be able to develop jobs for and properly supervise 1.5 million young people?

What do you believe is the practical limit for summer youth jobs in the summer of 1978?

Answer. NACo supports the Senate level of $893 million for the summer youth program in fiscal year 1978 in H.R. 7555. There is no question that there are 1.5 million economically disadvantaged youth who will need the jobs funded by this program next summer even with the increased funding being provided for the job corps and the new youth bill (via Public Law 95-29). CETA prime sponsors will be able to supervise and develop jobs for 1.5 million youth.

We are enclosing a survey of prime sponsor summer youth program needs for fiscal year 1978 developed by the National Association of Counties, the U.S. Conference of Mayors and the National League of Cities, as attachment B.

ATTACHMENT B

SUMMER YOUTH EMPLOYMENT SURVEY

	Slots	1977 Appliances	1978 Potential hires
CITY			
Little Rock, Ark	1,300	5,200	1,800
Los Angeles, Ca	14,800	60,000	15,000
City of Miami, Fla	1,500	3,000	3,000
Peoria, Ill	550	900	700
Gary, Ind	2,300	3,500	5,500
Des Moines, Ia	1,538	1,868	1,938
Baltimore, Md	13,000	23,000	28,000
Boston, Mass	9,025	25,000	18,000
Springfield, Mass	2,206	3,892	3,000
Worcester, Mass	1,550	2,550	2,600
Kansas City, Mo	3,525	7,737	7,700
Newark, N J	9,616	12,980	12,000
Cleveland, Ohio	9,000	13,000	24,000
Philadelphia, Pa	13,000	65,000	20,000
Columbia, S C	510	2,000	1,500
Seattle, Wash	4,727	5,736	7,000
Tacoma, Wash	900	1,000	1,600
Madison, Wis	730	1,250	1,400
COUNTY			
Kane Co., Ill	250	500	600
Lake Co., Ill	383	383	383
Union Co., N J	800	3,500	1,400
Middlesex, N J	1,800	4,000	2,000
Winnebago/Fond du Lac, Wis	415	1,800	900
Marathon Co., Wis	250	250	250
Outagamie Co., Wis	250	350	365

Question 4. Current administration plans appear to anticipate a major responsibility for CETA prime sponsors in running the public service employment portion of the welfare reform program. Specifically, prime sponsors would no longer have the title VI public service jobs program as we know it. Instead, they would be required to develop minimum wage jobs for welfare recipients.

Could you react to this shift in programing and in responsibility for prime sponsors?

What problems, if any, do you anticipate in creating jobs for this population?

Do you expect people will be attracted to minimum wage jobs?

What constraints are there on raising the wage level?

What types of jobs do you expect will be developed?

Could you comment on the possibility of displacement of workers who might otherwise have been hired by State and local governments?

Answer. NACo's primary interest in welfare reform is for fiscal relief for county governments whose budgets are stretched to the limit by contributions of local share and administrative costs for SSI, AFDC, food stamps, title XX, Federal emergency relief, title IVB, medicaid, etc. The major budget burden exclusive to counties is the cost of general assistance which, for example, supports refugees, undocumented aliens, pending social security recipients, and emergency relief.

We are concerned, as lower skilled individuals assume the title VI PSE roles, that Congress consider the establishment of a permanent public sector employment program with national and local unemployment triggers which provide increased authorizations with a rise in the national unemployment rate while targeting funds to areas with high unemployment (similar to the original title VI bill, S. 1695).

There are many jobs that are currently being left undone in the social service, environment and energy areas. There are also many services in need of expansion in these areas as well as others. For example, there are multiple jobs imaginable in day care, care for the elderly, meals-on-wheels programs, solar energy technology and construction, preschool kindergarten, and elementary education, etc.

The minimum wage issue should not be debated separately from the earned income support level, the income disregard, the tax rate on marginal income and the earned income tax credit. We would, at a minimum support a move to change Federal minimum wage language to Federal, State, or local minimum wage which-

ever is higher. The earned income support level and income disregard should be varied in areas with high costs of living. The tax rate on marginal income (e.g., that which is over the disregard) should be decreased so that welfare recipients are not put into the 50 percent tax bracket as a form of national policy.

Question 5. Two aspects of the title VI public service jobs reauthorization have been cited as creating greater difficulties in raising the jobs level rapidly—the targeting of the new jobs on the long-term unemployed and low-income persons, and the requirement that the new jobs be filled in projects that are separate from regular city and county functions. Could you comment on whether these difficulties are real, and how large the problems are?

Answer. Targeting to the low-income, long-term unemployed has created some problems. These problems are not due so much to targeting *per se* as to the following conditions associated with the targeting:

(1) The *definition* of the target groups is not a single, simple definition. Instead it references eligibility within other systems (primarily unemployment insurance) which varies from State to State.

(2) *Verification* of eligibility is required rather than simply honoring the word of the applicant through the "self-certification" process previously used and still used for the summer youth program.

(3) *Multiple public agencies* must be involved in eligibility determination. Each of these agencies has a different line of authority.

It would seem that these conditions are not essential to targeting on the low-income, long-term unemployed, but instead have been added as riders in order to achieve several other, unrelated objectives. One objective may be to reduce the welfare and unemployment insurance rolls, to relieve these systems of fiscal/budgetary pressures. A second objective may be to prevent fraud, patronage, greater cooperation and coordination among local, State and Federal agencies. All of these objectives are laudable—but may not be worth pursuing if they conflict with serving clients who need manpower services.

Our major concern and the major concern voiced by prime sponsors is that deserving and needy clients have been turned away. For example, unemployed individuals who were called up for 2 weeks of National Guard duty were determined to be ineligible for title VI according to a March 1977 ruling of USDOL. Recently USDOL has relaxed its definition of unemployed so that some individuals in the National Guard might be eligible.

Similarly an aerospace engineer or a factory worker who was laid off and unemployed for 15 weeks or more was ineligible for title VI if he or she took a week's job delivering telephone books or driving a taxicab. The newly relaxed definition of unemployed may permit him or her to obtain a title VI job.

Currently those long-term unemployed individuals who were eligible for unemployment insurance but did not collect, the so-called "proud poor", are ineligible for title VI. There seems to be an assumption that such individuals are aware of their eligibility and that they willingly forfeit real benefits. This assumption is unwarranted and punitive in its effect. There are many unemployed who are located in rural areas far from State unemployment insurance offices. The cost of transportation to the nearest State office may well be greater than the benefit which could be collected. The Zorinsky amendment to title VI in the youth bill would change this—and should be considered retroactive.

One major identifiable group still not eligible for title VI are ex-offenders. It is absurd for anyone who has served a prison term and been released to suffer an additional 15 weeks of unemployment before he or she is title VI eligible.

The switch from regular public service jobs to projects requires additional administrative processes which slow down actual hiring. These additional administrative steps include the following:

(1) Solicitation or request for proposal (RFP) packages must be developed and distributed.

(2) Proposals must be individually reviewed by staff and the advisory manpower planning council. Even in the smallest prime sponsor area there will be more than 40 proposals submitted for review. In a larger area there may be 800 to 900 proposals submitted for review.

(3) Informal or formal orientation and training for staff and council members may be necessary in order to carry out step 2. Orientation training are complicated by USDOL's reversal of rulings, failure to make rulings, and confusion/lack of clarity in regard to rulings on such matters as what constitutes a project and what constitutes client eligibility.

(4) Preliminary ranking or selection of projects for funding must be made in the absence of specific information about eligible clients in the local area and knowledge of total dollars available.

(5) Some CETA prime sponsors who were ready early in March—in other words some of the most effectively managed programs—must return to step 1 and start all over again in June. The reason is that between March 15 and May 23 USDOL radically revised the definition of projects and the definition of eligible target groups.

(6) Proposals not approved by councils may be funded, but only after very careful documentation. In some areas labor union officials sitting on the councils have rejected proposals for painting or repairs on public or private nonprivate community buildings. The effect of the union's rejections has been to kill this type of project, leaving only skilled white-collar clerical projects or unskilled laborer projects, neither of which are appropriate for unemployed numbers of local trades unions. Where the initial negative reaction of labor unions has seemed to conflict with their true longrun interests, some prime sponsors have returned to step 3.

(7) Individual legal contracts must be developed and processed for each project funded. This can only be done once allocations are available to prime sponsors. In some jurisdictions legal contracts may have to be approved by local legislative bodies.

(8) Appeals procedures must be implemented to handle projects not selected for funding. Considerable time, staff, and documentation may be required. If only one-half of all projects submitted are funded and the remaining one-half are rejected, then in a smaller prime sponsor area as many as 20 project bidders may appeal and in a large prime sponsor area as many as 400 project bidders may appeal.

(9) Separate monthly hiring and expenditure schedules must be developed for each project. Monitoring, enforcement and reallocation procedures must be devised. If project contracts have loopholes, these must be closed.

(10) Orientation and training sessions may be necessary for subcontractor staff on client and fiscal report forms and other subcontractor responsibilities. Some large prime sponsors may have to developed special projects management handbooks.

(11) The project phase down must be carefully planned.

From an administrative viewpoint the projects approach creates a problem of scale and complexity not encountered previously within PEP, CETA title II, or title VI. *It is a far cry from the typical PSE situation in which the prime sponsor and the employer are the same, so the prime sponsor has considerable control over the rate of hire, the client mix, the occupational mix, and the client-job match.*

The projects approach is further complicated by involving the Advisory Manpower Planning Council, not in broad policy issues as in title I, but in the actual details and nitty-gritty of project review, thus duplicating staff work.

Although client targeting and projects have been identified as legislatively mandated changes which may have served to slow the PSE expansion, there are administrative policies and procedures which have definitely slowed the expansion. These are the following:

(1) The unwritten *layoff* policy which holds that any regular title VI enrollees on board in regular PSE jobs in excess of the June or October 1976 level must be terminated.

(2) Determination to disallow payments into *retirement* systems on behalf of CETA PSE enrollees using CETA funds. This determination reverses prior interpretations and places many local governments in real jeopardy. Many state retirement systems have ruled that once an individual (CETA or otherwise) has been enrolled in the system, he cannot be withdrawn. Therefore if CETA funds cannot be used on his behalf, local revenues will have to be used. Such liability may cost the local jurisdiction 20 percent of the total CETA payroll. Thus, many jurisdictions have halted their expansion efforts pending further study and resolution of this dilemma.

(3) The decision to *hold back* title VI dollars. USDOL has allocated only 13.3 percent of the full 18 month dollars, but has consistently designated this allocation as "6 month" money. Prime sponsors have naturally interpreted this as a "go slow and spend cautiously" message.

(4) The *formula* imposed on prime sponsors by USDOL in order to develop a *monthly hiring schedule* has slowed many prime sponsors who were prepared to fund projects and have enrollees quickly. USDOL Field Memorandum 331-77 shows the national office projections of "new hires" under the title VI expansion for each prime sponsor in the county. Ironically there are many prime sponsor areas for which USDOL projects zero new hires in the first 6 months using its own formula.

Mr. MITCHELL. Thank you again for your excellent testimony and your cooperation.

The hearings now stand adjourned. We thank everyone staff and everyone else, for their participation.

[Whereupon, at 11:45 a.m., the committee adjourned.]

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